

# North Tyneside Council Report to Cabinet Date: 8 October 2012

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

Portfolio(s): Finance

Transport and the 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)

Andrew Lowe (Principal Procurement & Commissioning Officer) (Tel: 643 5651)

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 further report in December 2012 in relation to the introduction of a Local Procurement Policy to reduce the Council's Carbon Footprint and create/support Local Employment; as part of the Council's wider work to re-refresh its procurement strategy, which will be presented to Cabinet early in the new year.

### 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 in May 2012 (Minute CAB224/05/12) requested that a further report be brought to the October 2012 meeting of Cabinet to update on progress with the proposals, and to reflect on how this work

would 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.

#### **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**

In May Cabinet received a report concerning the Council's approach to sustainable procurement and local procurement. The report outlined the requirements of the Council's Sustainable Procurement Strategy and the impact that this has had on the procurement activity in the Council, for example through the construction joint venture, the current recycling contract and the solar PV contract. It was noted that the Council's Strategic Procurement Strategy 2008-12 is due to be refreshed.

The report also advised Cabinet of the legislative context for procurement of goods, works and services by the Council by outlining the requirements of the EU Procurement regime and the Public Contract Regulations 2006 (the Regulations).

In due course the Council will also be required to take into account the Public Services (Social Value) Act 2012 (the Act) when it comes into force. Although this new Act was implemented on the 8 March 2012, is not yet enforceable as it requires enabling regulations. Further guidance is expected from the Government on how authorities should carry out their duties to comply with this new legislation.

This legislation will impose a duty on Authorities to consider social value of procurement prior to a procurement process being undertaken. The Act applies to all contracts for services and framework agreements to which the Regulations apply.

In the future where a procurement for a service covered by the Regulations is to be undertaken, then local authorities must consider:

- how the service being procured might improve the economic, social and environmental wellbeing of the authority's area.
- how, in conducting the procurement process the authority might act with a view to securing that improvement (within the EU Regulations).
- whether the authority needs to undertake any consultation in relation to the two points above.

Prior to implementation of this legislation further guidance is expected from the Government on how authorities should carry out their duties to comply with this new duty.

##### **1.5.2 Business Services Partner**

Since this matter last came before Cabinet in May 2012 the procurement of the Business Services Partner has progressed with Balfour Beatty being identified as the preferred bidder for these services.

The Procurement Service is one of the areas included in the new arrangements with the Business Services Partner. The Council's requirements in this area oblige the partner to seek opportunities to improve environmental sustainability and to develop the local economy. In order to secure assurance that such a requirement will be complied with it will be necessary for a strategy encompassing details of the approach for procurement on behalf of the Council to be agreed with Cabinet. This strategy will enable the partner to describe not only how the Council can support local businesses and improve sustainability through procurement activity for the Council but will also acknowledge the role of the business partner when procuring in relation to the partner's own needs and those of bodies other than the Council.

The new business partner is able to provide greater flexibility when engaging with local suppliers in both the supply chain opportunities and when procuring goods and services (other than when procuring on behalf of the Council) as the business partner will not be bound by the EU Treaty principles or the Public Contract Regulations in such circumstances.

In addition the business partner will adopt a category approach to procurement which maximises buying power to deliver savings and encouraging local suppliers. This can be achieved through an early overview of the market, and engagement with the business community at the strategy stage. It will build on the work which has already be undertaken as part of the Change, Efficiency and Improvement (CEI) Programme.

### **1.5.3 The Current Approach**

The legal requirements surrounding public sector procurement are such that it tends to be complex, expensive and time consuming for potential suppliers to bid for contract opportunities. By necessity there has to be a formal tendering process that is not only open and fair, but is robust enough to successfully defend any legal challenge that might be brought against the authority.

The procurement machinery of local authorities is often seen by local suppliers to disadvantage smaller businesses in the local community and be more suited to the resources of larger national and international operators.

The Council currently takes a number of steps to encourage local businesses to bid for contracts. These specifically relate to the pre-tender/quotation process, so that there is no discrimination shown against any tenderer when evaluating and awarding contracts.

- Officers from the Procurement Service regularly attend local and regional meet the buyer events. These events give local small and medium sized enterprises (SMEs) an opportunity to have a short meeting with local buyers from a variety of organisations, to introduce their products or service, and to find out how they can bid for opportunities.
- Working to help the market understand the Council's business, and what opportunities might be emerging; particularly with the community and voluntary sector and adult social care providers.

- When demand is aggregated into one large tender, consideration is given to breaking down the total requirement into smaller lots. This provides an opportunity for the smaller organisations to tender, as they can bid for a single or multiple lots, depending on their capacity. Each lot is evaluated separately, and awarded on the basis of best value for money to the Council.
- A *How to do Business Guide* is published on the Council's website. This guide is published to assist prospective suppliers who wish to bid for contracts with the Council. It explains the principles of public sector procurement, including the requirement to achieve value for money. How to find upcoming contract opportunities are provided in the guide; as well as an explanation of pre-qualification questionnaires, and tenders.
- The Council's website has a section on procurement, containing several pages of helpful information, including details of forthcoming contract opportunities.
- NEPO has established an electronic portal for advertising contract opportunities, and for managing the procurement process electronically. Potential suppliers can register on the NEPO e-portal, against a specific contract opportunity, or against a category. They will receive an automatic e-mail alert should a contract opportunity from any of the NEPO local authorities become available against a category for which they have registered.
- NEPO and the North East's 12 local authorities have developed a supplier training programme with the Business Enterprise Group to deliver training to SMEs and third sector organisations within the region. The training includes the provision of expertise, and practical support on how to develop tenders, and to prepare and present their proposals.
- In July the Cabinet approved the implementation of Quick Quotes. NEPO have recently developed an enhancement to the e-portal, known as Quick Quotes. Most local authorities in the North East are introducing Quick Quotes as part of their commitment to support local suppliers. Local suppliers will benefit by being given an opportunity to increase business in the local area, for the lower value contracts that are not openly advertised. Random selection gives fair and equal access to opportunities. Automatic e-mails will advise suppliers when they have been selected to quote.
- Ensuring that suppliers are paid promptly. Present contract terms are for payment within 30 days. However the Mayoral Pledge is to pay suppliers within 14 days; which is performance managed.

#### **1.5.4 New Developments for Local Suppliers**

The following are new initiatives to inform and encourage local suppliers to bid for contract opportunities. Some initiatives are already progressing, and others planned for the future will be matters addressed with the new Business Service Partner:

- NEPO have developed an electronic on-line Pre-Qualification Questionnaire (PQQ) as an enhancement of the e-portal. This will allow suppliers to complete the PQQ on-line, and will act as a passport so that they do not have to complete a new PQQ each time. The on-line PQQ is presently being trialled, before being opened to all NEPO authorities to use.

- The use of PQQs for purchases under £100,000 will be reviewed, and they will only be used where absolutely necessary. This will remove the time and resource required by small organisations to complete PQQs when tendering for lower value contract opportunities.
- The level of insurance cover required will be considered on a contract by contract basis, so that the level of insurance required is proportionate to the risk involved. Where the risk is deemed to be low, lower levels of insurance cover will be required, thus reducing the cost to small business to hold unnecessarily high insurance cover.
- The level of financial thresholds used to evaluate potential suppliers will be reviewed, so that where the financial risks to the authority are deemed to be low, the financial threshold set will be proportionate. This will allow small business to compete for contracts where in the past they may have been excluded, because of the requirement to meet a disproportionately high financial threshold, for a contract that had a low financial risk for the authority.
- The Council already has a policy of paying its suppliers promptly. In future the main contractor will be requested to ensure that similar payment terms are passed onto their subcontracted suppliers. These subcontracted suppliers are often small local businesses, who will benefit by being paid by the main contractor promptly, and by not having to wait several months to be paid.
- When the Public Services (Social Value) Act 2012 comes into effect, the Council will be required to consider how what is being procured might improve the economic, social and environmental wellbeing of the authority's area.
- There is a need to improve communications with the local business community, and to publicise the Council's plans for procurement well in advance, so that the market can prepare for the opportunity in sufficient time. In many cases, when a contract opportunity is advertised through the NEPO e-portal, there is insufficient time for local suppliers to prepare, and possibly form a consortia to put together a joint tender bid. Holding supplier open days for specific procurements well in advance of the commencement of the procurement process, gives the market advanced warning of specific contract opportunities.
- Developing the next procurement strategy, based on engagement with local businesses, and their representative organisations.

### **1.5.5 Conclusion**

The significant benefits of procuring from small local business when tendering for goods and services is recognised by the Council and has been a focus of activity for the Procurement Service.

A number of new initiatives are planned to be introduced in conjunction with the Council's Business Partner, to underpin those already in place to support local procurement; whilst continuing to be legally compliant and non-discriminatory, but still delivering value for money for the Council. Further work will enable the Business Partner in conjunction with the Council to support the production of a new Procurement Strategy as the new arrangements for the Procurement Service commence. Consultation with the business community will be carried out in respect of the Procurement Strategy following initial consideration by Cabinet in December.

## **1.6 Decision options:**

Cabinet is requested to note and endorse the contents of this report and to agree to receive a further report in December 2012 providing a draft Procurement Policy addressing environmental sustainability and development of the local economy for consideration by Cabinet prior to consultation with the local business community and others.

## **1.7 Reasons for recommended option:**

It is recommended Cabinet note the contents of this report and agree to receive further reports in December 2012. The report will enable a draft Procurement Policy to be prepared in conjunction with the Council's Business Services Partner, reflecting on the new arrangements for procurement services and the ability of the Partner to procure outwith the constraints of the EU procurement regime 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:**

Vivienne Geary, Head of Legal, Governance and Commercial Services Tel: (0191) 643 5339

Sarah Heslop, Manager Commercial Team Legal Services Tel: (0191) 643 5456

Paul Hanson, Strategic Director of Community Services, Tel: (0191) 643 7000

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
- (5) [Report to Cabinet of 14 May 2012](#)

## **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 opportunity to meet with local suppliers was taken at the Business Generator Event on 25 September, at which North Tyneside was represented.

There have been 3 sessions held with local suppliers in September on the implementation of the new "Quick Quotes" process.

Consultation has taken place at a number of recent Business Forum events, with specific meetings being held with representatives of the Business Forum.

The Cabinet Members for Finance, and Transport and the Environment, have been consulted on this report.

The Strategic Director of Finance and 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**

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