

**REPORT TO:** Executive Board

**DATE:** 11 September, 2008

**REPORTING OFFICER:** Strategic Director Environment

**SUBJECT:** Scrutiny Panel Recommendations – The Role of the Council’s Procurement Policy in Developing Local Employment Opportunities

**WARDS:** All Wards

## **1.0 PURPOSE OF THE REPORT**

- 1.1 A Scrutiny Panel Topic Group report, that explored the role of the Council’s procurement policy in developing local employment opportunities, was considered by the Employment Learning and Skills (ELS) Policy and Performance Board on 23 June, 2008. This followed an earlier Topic Group update report to the Board on 10 March, 2008.
- 1.2 The Board resolved that the recommendations of the Topic Group be forwarded for consideration and comment by the Executive Board at the earliest opportunity and that the ELS Policy and Performance Board consider this issue further, including any comments which the Executive Board make, at the next available meeting of the Board.

## **2.0 RECOMMENDATION: That**

- (1) The Board considers and accepts the recommendations of the Procurement Scrutiny Panel Topic Group, listed in paragraph 3.2 of this report, subject to consideration of the budget implications as part of the 2009/10 budget setting process, and forwards any comments to the ELS Policy and Performance Board.**

## **3.0 PROCUREMENT SCRUTINY PANEL TOPIC GROUP RECOMMENDATIONS**

- 3.1 To provide the necessary background, the Topic Group update report of the 10 March, 2008 is included at appendix A.
- 3.2 At the meeting of the ELS Policy and Performance Board on 23 June, 2008, it was requested that the following recommendations, arising from the Scrutiny Panel Topic Group work programme, be considered by this Board:-

- a) A meet the buyer event be convened to provide businesses with an opportunity to meet key buyers from the public services based in Halton  
*[Proposed Lead - Local Strategic Partnership/Environment]*
- b) A workshop/s be convened for small businesses to advise them on the Council's pre qualification questionnaire (PQQ) requirements and tendering arrangements  
*[Proposed Lead – Corporate and Policy/Environment]*
- c) A review of the Council's term contract conditions be undertaken with a view to identifying ways in which they can be amended to benefit local businesses in order that they seek a commitment from council contractors, prior to being appointed, to consider using local suppliers as part of their supply chain to deliver the service they are being contracted to provide  
*[Proposed Lead – Corporate and Policy]*
- d) Explore the potential for establishing an email tender alert system, to advise businesses when Council tenders above £1m are being let  
*[Proposed Lead – Corporate and Policy]*
- e) Produce a printed/electronic leaflet on 'how to do business with Council.' The printed leaflet to be distributed to Halton businesses  
*[Proposed Lead – Corporate and Policy/Environment]*
- f) Training at a professional level be undertaken for officers engaged in letting and managing contracts valued over £1m  
*[Proposed Lead – Corporate and Policy]*
- g) A pre-tendering review system be established to ensure that policies and procedures, relating to procurement, are being followed  
*[Proposed Lead - Corporate and Policy]*
- h) Where there is a Halton based dealership, the dealership be used for the servicing and repair of Council lease cars and leasing contracts be amended accordingly  
*[Proposed Lead – Environment]*
- i) Measures be taken to ensure that local businesses benefit from the Mersey Gateway project and other major capital works to be undertaken in the Borough in Halton during the coming years  
*[Proposed Lead – Environment]*
- j) A study be undertaken to determine the skills and training needs and measures taken to address them, in respect of the Mersey Gateway and associated capital works programme, to ensure that Halton's residents are able to take full advantage of the employment opportunities that the programme of works will offer

*[Proposed Lead – Environment]*

- k) Progress on issues relating to employment in respect of the Mersey Gateway and other related capital projects be reported to the Employment Learning and Skills Policy and Performance Board on a half yearly basis

*[Proposed Lead – Environment]*

- l) Explore ways in which the Council's procurement policies can be used as a vehicle for generating apprenticeship opportunities with council contractors

*[Proposed Lead – Environment/Corporate and Policy]*

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 Table A illustrates indicative costs in respect of each recommendation. A more detailed estimate will, however, need to be undertaken by the lead Directorates in the light of staffing and financial resources.

**Table A**

<b>Recommendation</b>	<b>Proposed Lead</b>	<b>Cost Estimate</b>
a) Meet the buyer event	Local Strategic Partnership/Environment	£3k
b) Workshop/s for small businesses	Corporate and Policy/Environment	£3k
c) Review of the Council's term contract conditions	Corporate and Policy	Existing budgets
d) Potential for establishing an email tender alert system	Corporate and Policy	Existing budgets
e) Printed/electronic leaflet on 'how to do business with Council.'	Corporate and Policy/Environment	£5k
f) Training at a professional level eg Chartered Institute of Purchasing and Supply (CIPS) Foundation Diploma Level 4.	Corporate and Policy	Unit cost: 5 x modules @ £370 per module.
g) Establish pre-tendering review system	Corporate and Policy	Existing budgets
h) Local servicing and repairs of Council lease cars	Environment	Existing budgets
i) Ensure local businesses benefit from the Mersey Gateway project	Environment	Existing budgets
j) Study be undertaken to determine the skills and training needs in respect of the Mersey Gateway etc	Environment	£10k

k) Half yearly reports to ELS PPB on progress re employment issues in respect of the Mersey Gateway and other related capital projects	Environment	Existing budgets
l) Explore ways in which the Council's procurement policies can be used as a vehicle for generating apprenticeship opportunities with council contractors	Environment/Corporate and Policy	Existing budgets

## **5.0 POLICY IMPLICATIONS**

5.1 The aims of Council's Procurement Strategy (2006-09) include a commitment to promote procurement practices and techniques that can contribute to the Council's priorities on equality, sustainability and regeneration. The Strategy also includes an objective to focus on the objectives that support the National Procurement Strategy for Local Government and the council's strategic priorities, to realise economic, social and environmental benefits for Halton.

5.2 The Mersey Partnership 'Enterprise and Business Growth Strategy for the Liverpool City Region 2008 – 2013' recognises the importance of the public sector within the City Region, as a key target for the Strategy. It states that 'at present the requirement that public sector procurement teams achieve Value for Money has led to them granting a small number of contracts to large contractors. A key priority therefore will be to work with these teams (such as the NHS Purchasing and Supply Agency and the Local Authority Procurement departments) to look at ways that existing SME's can be included in the supply chain through an arrangement that does not adversely affect the cost effectiveness of the provision.'

## **6.0 OTHER IMPLICATIONS**

6.1 There are no other implications arising from this report.

## **7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **7.1 Children and Young People in Halton**

The government proposal to extend the participation age would be well complemented in Halton through the introduction of apprenticeship clauses within its main construction and maintenance contracts.

### **7.2 Employment, Learning and Skills in Halton**

A key part of the employment, learning and skills agenda is the development of an enterprise culture and the provision of support to enable new businesses to start up. Enhancing the reputation of the Council as a good organisation for local businesses to work for would aid in the development of the local enterprise culture.

### **7.3 A Healthy Halton**

There are no implications for a Healthy Halton arising from this report

### **7.4 A Safer Halton**

There are no implications for a Safer Halton arising from this report

### **7.5 Halton's Urban Renewal**

A key element of the Urban Renewal Agenda is the attraction of new businesses to Halton. A key feature of this in the future could be the further development of the procurement initiative so that the Council is seen as very welcoming and supportive to local businesses.

## **8.0 RISK ANALYSIS**

8.1 A significant number of local small and medium size businesses will continue to feel disenfranchised and excluded from opportunities to bid for work with the Council if it decides not implement the recommendations. This will have an overall negative impact on the perceptions of the Council, by local businesses, and its apparent unwillingness to support them.

8.2 Failing to capitalise on the employment opportunities for local people, that the Mersey Gateway and related capital projects will offer, will result in a missed opportunity to address a lack of work related skills and the resultant unemployment it causes for disadvantaged residents in the borough.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

9.1 There are no equality and diversity issues arising from this report.

## **10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

10.1 None.

## **APPENDIX I**

**REPORT TO:** Employment Learning and Skills Policy and Performance Board

**DATE:** 10 March, 2008

**REPORTING OFFICER:** Strategic Director Environment

**SUBJECT:** Scrutiny Panel Update– The Role of the Council’s Procurement Policy in Developing Local Employment Opportunities

**WARDS:** All Wards

### **1.0 PURPOSE OF THE REPORT**

1.1 To report on the progress of the programme of work being undertaken as part of the Policy Board’s scrutiny programme, which explores the Council’s Procurement policy and its role in developing local employment opportunities.

### **2.0 RECOMMENDATION: That**

- (1) The Board comments on the progress of the Procurement Scrutiny Panel programme of work to date**
- (2) A further report be brought before the Board, at the earliest opportunity, setting out the Panel’s recommendations**

### **3.0 BACKGROUND**

#### **Context**

3.1 The programme of work seeks to address the role that the Council’s procurement policies can play in promoting local regeneration and the creation of employment opportunities. It was prompted, in part, by initial investigations into the economic benefits of local procurement, undertaken by the Employment Learning and Skills PPB “Halton People into Jobs” Scrutiny Panel in 2006/07, and a growing recognition that the significant purchasing power of the public sector and specifically, the amount of money spent locally by public bodies, can have a major impact on local economies.

### **4.0 METHODOLOGY**

4.1 The Panel is utilising a range of techniques to undertake the work, including:

- Interviews and study groups with a selection of officers responsible for procurement.
- Interviews with local businesses that have been involved in the Council's procurement, tendering and commissioning procedures.
- Desk research and analysis of relevant Web based data to identify best practice from other local authority areas that could be adapted for use in Halton
- Analysis of the local business study findings published in July 2007, to address concerns raised by businesses about contracting for work with council

## **5.0 INTERVIEWS AND STUDY GROUPS**

5.1 The interviews and study groups were designed to assist members of the Panel acquire a better understanding of how the Council's procurement systems and procedures are carried out and some of the legal constraints under which officers have to operate when purchasing goods and services.

5.2 They comprised a number of informal fact finding meetings with officers that have responsibility for purchasing/commissioning at varying levels of authorisation, ranging from up to £10,000 to over £1 million. The one to one interviews were focused primarily on higher value contracts, i.e. greater than £100,000 involving formal tendering and the study groups on lower value contracts, less than £100,000, that require a minimum of three written quotations.

5.3 In addition to the interviews with officers responsible for letting contracts, the Council's Procurement and Legal Services departments were consulted, to consolidate the Panel's understanding of procurement policy and how it is applied in the Council.

### **Summary of Findings - Interviews and Study Groups**

5.4 The interviews and study group discussions essentially focused on procurement processes including the selection of potential suppliers; advertising of contracts; the scoring tenders and the legal aspects of tendering, that have to be taken into account, when preparing tender briefs and awarding tenders.

5.5 In addition, there were wide ranging discussions and views expressed about the Council's procurement policies and the impact and benefits they bring to the local economy. A body of evidence was presented that suggests that local businesses are benefiting from the Council's procurement policies, although in some cases, it tends to be indirectly via third party term contractors that have been awarded contracts and who then sub contract work to their suppliers, some of whom are based

in Halton. This leads to confusion, as it's not always apparent, when a supplier is undertaking work for the Council via a term contractor, who initiated the work.

- 5.6 Several officers suggested that the Council's tendering arrangements, i.e. the pre qualification questionnaire (PQQ) and the tender documents for contracts over £100,000, may discourage smaller firms from tendering for work, given the time and resources required to prepare and submit tenders. Larger companies are, generally, well versed in procurement and tendering procedures, whereas smaller companies are not and this gives larger companies an advantage when tendering for large contracts.
- 5.7 There was little evidence that officers responsible for letting contracts are professionally qualified in procurement. They rely instead on their professional knowledge of their respective areas of responsibility, to ensure the Council achieves value for money from its suppliers.

## **6.0 INTERVIEWS WITH BUSINESSES**

- 6.1 Three local businesses were interviewed – a current supplier; a business that bid for, but failed to be awarded a contract and a business seeking clarification about how to go about being selected for inclusion on a Council supplier list. The interviews provided an opportunity for businesses to provide feedback on their individual experiences of bidding for work with Council and to express their views on the Council's procurement processes from a business perspective.

### **Summary of Findings - Interviews with Businesses**

- 6.2 The feedback from two of the businesses that were interviewed suggest they are satisfied with the procurement arrangements, however, one business expressed concern about the Council's ad hoc supplier arrangements and their frustration at their inability to get their company included on the list. Subsequent investigation, however, revealed that the service they offer is currently provided by a term contractor and they have in fact undertaken work for the Council as a sub contractor to the term contractor. They have also, on occasion, been contracted by the Council directly to undertake work.

## **7.0 DESK RESEARCH**

- 7.1 A review of local authority Websites was undertaken to identify initiatives that other Council's have introduced to assist businesses when bidding for work, particularly local, small and medium enterprises (SME's) and the Voluntary Sector. One of the themes of The National Procurement Strategy is to stimulate markets and achieve community benefits via procurement and it is under this obligation on Council's that the analysis was undertaken.

## **Summary of Findings – Desk Research**

- 7.2 The review of other local authority Web sites didn't reveal anything substantively different from Halton's approach to procurement, albeit each authority presents its procurement policies in different ways.
- 7.3 Like Halton, many local authorities have signed up to the government's Small Business Friendly Concordat, which demonstrates a Council's commitment to make its purchasing decisions as transparent as possible. The Small Business Friendly Concordat is a voluntary code of practice, developed by the Department for Communities and Local Government, the Local Government Association and the Small Business Service, to make it easier for SME's to do business with local authorities.
- 7.4 Local authorities tend to place a lot of reliance on their respective Web sites for disseminating details of tendering opportunities; how to do business with Council; approved and select lists etc and yet, the survey undertaken last year of local businesses in Halton suggests that a Council Website isn't necessarily the first choice for SME's when seeking information about procurement opportunities.

## **8.0 PROCUREMENT SURVEY 2007**

- 8.1 Early in 2007 a joint procurement survey was commissioned by the Council's Business Development Division and the E - Procurement and Financial Support Services Division. Nearly 200 businesses responded to the survey. The survey sought the views of local businesses to address concerns over the ability to access business opportunities with the Council.
- 8.2 The survey focused on three areas. Part I asked for businesses experiences/views on the Council's procurement/tendering policies and procedures. Part II asked for their views on the procurement content of Council's Website and Part III invited comments on what improvements/additional measures businesses would like to see introduced that would help them when bidding for work with the Council.

## **Summary of Findings – Procurement Survey 2007**

- 8.3 The survey:-
- Generated 93 (47%) responses from Widnes businesses and 105 (53%) from Runcorn.
  - 167 of the businesses (over 80%) employed between 1 – 50 staff
  - 61 (30%) of businesses had quoted/tendered for work previously

- 66% found the process either very or fairly easy
- Of those businesses that were unsuccessful and requested feedback, 69% were satisfied with the feedback they received
- 37% indicated they would choose the Council's Website if they were looking for tendering opportunities
- 21% of businesses had visited the Council's procurement pages on the Website
- 86% found the information on the Website either very or fairly useful
- 88% indicated that briefing sessions for businesses on the Council's tendering process would be either very or fairly helpful
- 93% indicated that a printed guide on how to do business with the Council would be either very or fairly helpful
- 99% indicated that an email alert system advising them of tender opportunities would be either very or fairly helpful
- 87% indicated that tender opportunities posted on the Council's Website would be either very or fairly helpful
- 51% indicated that tenders advertised in newspapers were either very or fairly helpful
- 86% indicated that 'meet the buyer' style events would be either very or fairly helpful

8.4 The high response rate to the survey would suggest that local businesses view the Council as a potential customer for their goods and services, particularly small businesses, employing up to 50 staff. Whilst the Council's Website was rated well by those business that had used it as a source of procurement information, the relatively low number of businesses suggests that the Website is only part of the solution when communicating tendering opportunities effectively to small businesses. Producing a printed guide to procurement and developing an email alert system received most support, but clearly there implementation would have financial and resource implications for the Council.

## **9.0 POLICY IMPLICATIONS**

9.1 The Council, in signing up to the Small Business Concordat has committed itself to delivering locally the National Procurement Strategy for Local Government. The strategy asks local authorities to adopt a small and medium sized enterprise (SME) friendly procurement concordat and to encourage a mixed range of suppliers in order to help develop and stimulate a varied and competitive marketplace. The concordat sets out the actions that local authorities will take to make their contracts more accessible to SME's. Although the principles relate to all SME's, the concordat is particularly focused on small businesses of less than 50 employees. The Council, therefore, recognises the important contribution that small businesses can make to the delivery of public services and the vital role these businesses play in the national and local economy.

## **10.0 OTHER IMPLICATIONS**

10.1 There are no other implications arising from this report.

## **11.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **11.1 Children and Young People in Halton**

There are no implications for Children and Young People in Halton arising from this report

### **11.2 Employment, Learning and Skills in Halton**

A key part of the employment, learning and skills agenda is the development of an enterprise culture and the provision of support to enable new businesses to start up. Enhancing the reputation of the Council as a good organisation for local businesses to work for would aid in the development of the local enterprise culture.

### **11.3 A Healthy Halton**

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A key element of the Urban Renewal Agenda is the attraction of new businesses to Halton. A key feature of this in the future could be the further development of the procurement initiative so that the Council is seen as very welcoming and supportive to local businesses.

## **12.0 RISK ANALYSIS**

12.1 There are no risks associated with this report as it is a progress report only on the work of the Procurement Scrutiny Panel.

## **13.0 EQUALITY AND DIVERSITY ISSUES**

13.1 There are no equality and diversity issues arising from this report.

## **14.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

14.1 None.