
Report to : Clackmannanshire Council

Date of Meeting : 8th March 2012

Subject : Supporting Businesses Through Procurement

Report by : Head of Community and Regulatory Services

1.0 Purpose

- 1.1. This report considers the actions being taken by the Council to enable the local business community to be better placed to respond to and win Council and other public sector contracts

2.0 Recommendations

- 2.1. The Council is asked to:

- a) approve the approach set out in this report to further improve the competitiveness of local businesses.
- b) adopts the following actions :
 - encourage all local businesses to register on the Public Contract Scotland portal so that they can receive free e-alerts notifying them of contract opportunities relevant to their businesses.
 - encourage local businesses to sign up to the Supplier Development Programme which helps SMEs understand the tendering process and develop the skills required to compete for and win public sector contracts.
 - where community benefits are a legal requirement of Council contracts, Council should continue to encourage the successful contractors to undertake capacity building initiatives with local SMEs to help them meet the necessary requirements to get on their supply chains.
 - give further consideration to making contracts more accessible to local businesses by breaking large contracts down into smaller packages.
- c) continue to work with local businesses to seek further opportunities to build their capacity.

3.0 Considerations

- 3.1 Procurement is a significant Council function and offers a major opportunity to support local businesses through Clackmannanshire based suppliers winning contracts to deliver goods, works and services. This, in turn, provides the environment for more local jobs, greater spend in the local economy and a reduced demand for welfare benefits and other support and services. Clackmannanshire Council's procurement spend in 2010/11 amounted to over £47m. Over 66% was spent with SME'S (Small to Medium Enterprises) with just under 16% of this spend being with local businesses.
- 3.2 Under the Local Government (Scotland) Act 2003 Local Authorities have to demonstrate best value in their procurement activities. This increased the need for local authorities to demonstrate that value for money is being achieved. The growing influence of e-Commerce also greatly widens choice in the marketplace and has put pressure on local companies to remain competitive.
- 3.3 The McLelland Review of Public Procurement in Scotland identified 4 tiers of procurement expenditure. This has tended to push contracting activities in the direction of larger, and often joint or consortium, based tenders. Clackmannanshire Council is a member of the East of Scotland Hub for capital expenditure and in August 2010 agreed to become a member of Scotland Excel - the local government procurement centre of expertise - on the basis that this would offer opportunities for cost savings as well as the provision of better services. The four tiers are :
- **Category A contracts** - national public sector contracts issued and managed by the Scottish Procurement Directorate and covering areas like utilities, office supplies, postage and IT hardware;
 - **Category B contracts** - public sector specific contracts issued and managed by Scotland Excel for the local government sector;
 - **Category C and C1 contracts** - specific sectoral and local contracts issued and managed by individual public bodies or regional collaborations.
- 3.4 Local companies are able to bid for Category A and B contracts but, given that the company base in Clackmannanshire is predominantly made up of small enterprises with 87.6% of businesses employing less than 50 employees and well over half of that total falling into the 0-4 employee category, their ability to compete effectively for such contracts is likely to be limited. The main focus for Clackmannanshire based businesses is therefore likely to be on category C and C1 contracts.
- 3.5 The two principal approaches that can be taken to encourage and assist local businesses to compete for and win Council contracts are (a) support for businesses and (b) contracting procedures and guidelines.

Support for Businesses

- 3.6 Clackmannanshire Council has already taken a number of actions to help local businesses compete more effectively for public sector contracts:

- 3.7 **Supplier Development Programme.** The Council has recently become a partner in the Supplier Development Programme (SDP), a local authority partnership programme, which offers SMEs the opportunity to grow and diversify through procurement. The SDP is a business support initiative, providing businesses with a programme of free events, training and workshops to help them tender for and win more contracts with public sector bodies throughout Scotland. In conjunction with Clackmannanshire Business, the Council formally launched the SDP in Clackmannanshire on 17 November 2011 with "A Guide to Procurement" event. This was a well-attended seminar which involved both an external procurement specialist and the Council's own Procurement Manager. Companies must register (free) with the SDP to attend events locally or anywhere in Scotland. The Council is working with Falkirk and Stirling Councils to run a Forth Valley programme. Events so far confirmed for 2012 are :
- Tender Ready in 10 Steps - 29/2, 7/3 & 14/3 in Stirling
 - Environmental Awareness Workshop - 19/4 in Alloa
 - Health & Safety Workshop - 25/4 in Falkirk
- 3.8 **Procurement Guide.** A suppliers guide to 'Doing Business with Clackmannanshire Council' has been developed. This provides useful information to support potential suppliers, contractors and businesses who are interested in tendering for Council contracts. The Guide was launched at the SDP event on 17 November referred to above and has been distributed widely to Clackmannanshire businesses.
- 3.9 **Public Contracts Scotland Portal.** The Council supports the development of the SME sector by developing a procurement approach which maximises their exposure to procurement contracts through advertising all Council contracts over £10,000 on Public Contracts Scotland (PCS), the national advertising portal for the public sector in Scotland. Local companies are encouraged to register on PCS so that they can be alerted to relevant contract opportunities as they are posted on the portal. The Council's Procurement Manager has delivered a series of workshops demonstrating the portal and registering local suppliers on the day.
- 3.10 **Workshops.** The Council's Procurement Manager has also delivered a series of workshops to explain Council procedures and to advise local companies on how to compete for Council contracts.
- 3.11 **Community Benefits.** The inclusion of community benefit clauses is now a requirement for many Council contracts, particularly current major development projects such as new Council House build, Kilncraigs and the Speirs Centre. The focus of community benefit provision depends on the type of procurement contract but for the current major development contracts, the focus is on three areas :
- targeted recruitment and training including apprenticeships and work experience opportunities;
 - supply chain and sustainability; and

- community engagement.
- 3.12 The supply chain and sustainability objective asks contractors to detail how they propose to offer subcontracting opportunities to SMEs and deliver sustainable procurement through the contract.
- 3.13 The Council's Economic Development team works closely with the Council's Procurement Manager and Council officers involved in procurement to ensure that community benefits are included in appropriate contracts and provide support to the successful contractors when appointed. This support includes liaising with the contractors and helping them meet their recruitment and training requirements through the Council's employability initiative, Clackmannanshire Works, who act as a single point of contact for the contractor. The recently reconfigured Economic Development team also helps contractors to identify local businesses who could be given the opportunity to tender by reviewing the Clackmannanshire Business Directory and other sources of employer information held locally as well as providing 1-2-1 business advice and support.

Contracting Procedures and Guidelines

- 3.14 Council procedures and guidelines are kept under constant review. Where possible, contracts are split or framework agreements are put in place designed to encourage smaller businesses to compete.
- 3.15 Further work is being done on this with the introduction of the "Procurement Journey". The Procurement Journey is intended to support all levels of procurement activities and to help manage the expectations of stakeholders, customers and suppliers alike. It will facilitate best practice and consistency across the Council. There are also simplified processes, templates and guidance to support individuals providing one source of documentation and promoting best practice.

Proposed Future Actions

- 3.16 The current emphasis on Best Value has made it more difficult to justify a decision to try and source purchases locally when at first sight the prices being charged could be seen to indicate that this would be uneconomical. It is important therefore to calculate the true cost of a purchase, including its impact on the policy outcomes of the authority.
- 3.17 Building on the actions taken so far, there is scope for the Council to do more to help build the capacity of local businesses, for example :
- All local businesses need to be encouraged to register on the Public Contract Scotland portal so that they can receive free e-alerts notifying them of contract opportunities relevant to their businesses.
 - Local businesses should sign up to the Supplier Development Programme which helps SMEs understand the tendering process and develop the skills required to compete for and win public sector contracts.
 - Where community benefits are a legal requirement of Council contracts, the Council should continue to encourage the successful contractors to

undertake capacity building initiatives with local SMEs to help them meet the necessary requirements to get on their supply chains.

- Further consideration should be given by the Council to make contracts more accessible to local businesses by breaking large contracts down into smaller packages.

Conclusions

- 3.18 The European Public Procurement Contract Regulations do not allow procurement awards to be made based on geographical location or provide the ability to favour local businesses as this may be seen as discriminatory. However there are many ways that local businesses and the local economy can legitimately be supported through procurement based initiatives without contravening the Regulations.
- 3.19 The Council has already taken a number of actions to help equip the local business community to better respond to and win Council and other public sector contracts. Clearly, there is still more to be done as outlined above. It is important to recognise, however, that given the size and composition of Clackmannanshire's business base, the ability of local businesses to compete effectively for Council and public sector contracts is likely to be influenced by resourcing and capacity limitations.

4.0 Sustainability Implications

- 4.1 Initiatives aimed at preparing and supporting local businesses to win Council and other public sector contracts helps develop a vibrant local economy and opportunities for employment. It will have a positive impact through:
- Improving the quality of life for the area's residents
 - Achieving sustainable economic development
 - Targeting skills and reducing unemployment.

5.0 Resource Implications

5.1 Financial Details

- 5.2 The actions referred to in the report are carried out within existing budget allocations.

- 5.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☐

5.4 Staffing

Actions are carried out with existing resources.

6.0 Exempt Reports

6.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box ☒)

The area has a positive image and attracts people and businesses	<input checked="" type="checkbox"/>
Our communities are more cohesive and inclusive	<input checked="" type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input checked="" type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

Development of the local economy and matching opportunities to need are key priorities for the Community Plan, the SOA, Building Clackmannanshire and the Employability Strategy. The approach complements work being done to develop a sustainable approach to procurement.

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes ☐ No ☒

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☐

10.0 Appendices

10.1 None

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

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