

Procurement and Commissioning Scrutiny

Summary

1. This report provides an update on the work being undertaken to engage local businesses in procurement activity for the Council.

Background

2. At the beginning of the municipal year 2013/14, the Scrutiny Management Committee identified Procurement as a possible scrutiny topic. In January 2014, the Committee received an overview of the strategic approach being taken by the City of York Council to procurement and commissioning, and progress in its delivery, and the Committee asked for a further report on the Council's strategy for engaging local businesses in procurement.

Procurement & Commissioning Strategy

3. The Procurement and Commissioning Strategy sets out our commitment to use our own procurement spend to support the local economy. It commits us to a tailored approach so that we achieve the optimum mix of social economic and environmental benefits. Local economic development is being achieved through a range of engagement mechanisms with local companies but also through the tailoring of the approach used for each tender. If we believe that the tender could result in local jobs or there is a potentially strong and competitive local market, the assessment criteria will be shaped to give weighting to the use of local labour/creation of local jobs. Local SMEs are targeted in invitations to tender (below EU limits) or made aware of the EU tender for larger pieces of work.

4. This process is subject to legal limitations as under EU procurement legislation it is illegal to restrict competition to member countries. It is however legal to establish evaluation criteria that award points for social economic and environmental outcomes and hence tenders can reflect the importance of local economic development without excluding or prejudicing bidders from outside the local area.
5. In 2012/13 the Council spent in the region of £120m on goods and services. In 2012/13 over 50% of this was with companies with billing addresses within the functioning economic geography (not specifically within the CYC boundaries). This is an extremely healthy position. This includes national companies who are locally based so does not strictly represent businesses based in the area but does represent a direct link between money going to companies who are creating local jobs and therefore the money being partly reinvested in the local economy. The same assessment is now being undertaken using the end of year spend data for 2013/14.
6. Good progress has been made in establishing the category management approach and the team are putting together the toolkits for use across the organisation to improve the effectiveness of our procurement activity. The Category Managers are also establishing positive working relationships with the relevant stakeholders for their area to develop category management plans that will ensure that processes and standards are consistent across the organisation. The Commercial Procurement team are only involved in approx 18% of the Council's total spend so there is still work to be done to ensure we are embedding standards across all areas of council expenditure
7. Approaches taken to encouraging local economy are set out below.
 - Developing the local supply chain through Bidders Days where local suppliers can come in and meet Council officers to discuss upcoming contracts. This is being organised with The Federation of Small Businesses and will include training on how to complete some of the necessary paperwork as well as getting feedback on how we can improve
 - Direct one to one engagement with suppliers – offer the opportunity to talk through future upcoming tenders and have a two way conversation about our requirements and the processes for tendering
 - PQQ/ITT Workshops for SMEs explain our procurement processes, explain why we use them and provide guidance on how to tender effectively with the public sector this should equip SMEs who have

less experience of the sector to compete effectively for CYC work and other tenders from public bodies.

- Outline the requirements of procurement exercise early, give bidders more time and more clarity on what we are wanting to procure, gives them the opportunity to ask questions in an informal way
- Development of a series of Toolkits for services to use- these will set out when and how we need to build local economic outcomes into tenders.
- Rotation System – for some categories of work we have a large number of potential suppliers and we deliberately rotate them so that the economic gain is shared and we develop a wider and more sustainable local market. This is actively managed using performance criteria to ensure that high performing suppliers are rewarded.
- Levelling the playing field for smaller companies and enabling them to compete fairly- These include removing some of the barriers to their involvement such as the need to produce 5 years of accounts. We can also simplify the process for some contracts, making it easier to do business with the Council.
- Implementation of the Living Wage through our supply chain when this involves staff who provide a service for or on behalf of the council on the council's premises or land involving two or more hours of work in any given day in a week, for eight or more consecutive weeks in a year on. This indirectly means that is more money circulating in the local economy.

Examples

8. The following are examples of recent activity that have supported the local economy.
 - Beckfield Lane Site – contract awarded to Gentoo who are using all local suppliers and subcontractors and are supporting the establishment of
 - The remodelling / refurbishment of Flaxman Avenue where the criteria are weighted for support of local employment and apprentices.
 - External painting and repair contractors have made a commitment to use local suppliers and labour.
 - Schools building programme - Uses the YorBuild framework which establishes apprenticeships who move around contractors to develop their skill base

- Provision of Transport Services – evaluation of how bidders will support the local economy (i.e. encourage bidders to use local providers in their supply chain)

Risk Management

9. There are risks identified with managing the local supply market through the procurement process, in particular the risk of legal challenge from national suppliers who may have a local depot or regional depot. These risks are mitigated by following the correct procedure and ensuring all bids are evaluated in a fair and transparent way.

10. Implications

- **Financial** – Effective procurement is a prerequisite to delivering the Councils Financial Strategy. There are no financial consequences arising from this report.
- **Human Resources (HR)** - There are no HR implications arising from this report
- **Equalities** – The issue of how equalities issues are addressed through procurement were set out in the January report. There are no specific Equalities implications arising from this report
- **Legal** - All legal implications from individual procurements are dealt with on a project by project basis and there is close working between the Commercial Legal team and the Commercial Procurement Hub. There are particular legal implications regarding the implementation of ethical procurement - these are covered in the report.
- **Information Technology (IT)** – None
- **Property** - None
- **Risk Management**- failure to manage procurement activity effectively could give rise to the risk of legal challenge from poor procurement practices under EU law. Poor procurement practices are also likely to be highly inefficient and could waste money.

Recommendations

11. Members are asked to consider the content of this report and identify any potential improvements to our approach to supporting the local economy through our procurement activity.

Reason: To ensure that there is effective scrutiny of the development of the commercial procurement and commissioning activity within the Council

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Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Background Papers – None

Annexes - None

Glossary of Abbreviations:

PQQ/ITT - Pre-qualification Questionnaire/ Invitations to Tender

SME's - Small and Medium size Enterprises

EU – European Union