

MIDDLESBROUGH COUNCIL

OVERVIEW AND SCRUTINY BOARD

AGENDA ITEM 6

3 FEBRUARY 2015

<p style="text-align: center;">DRAFT REPORT TO EXECUTIVE - LOCAL GOVERNMENT ASSOCIATION NATIONAL PROCUREMENT STRATEGY</p>
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PURPOSE OF THE REPORT

1. To highlight the Overview and Scrutiny Board's (OSB) findings in respect of the position concerning compliance with the Local Government Association's (LGA) National Procurement Strategy in Middlesbrough.

THE OVERVIEW AND SCRUTINY BOARD'S FINDINGS

2. Information is set out below under the following sub-headings:
 - Background and further information
 - LGA National Procurement Strategy
 - Public Services (Social Value) Act 2012
 - Legislative and other considerations
 - The position in Middlesbrough

Background and further information

3. At its meeting on 9 December 2014, the Overview and Scrutiny Board received information on the LGA National Procurement Strategy. The Chair of the Board had identified this subject as an issue for scrutiny following its consideration at a North East Purchasing Organisation (NEPO) meeting.
4. Local authorities in England are being encouraged to improve the way they commission public services and manage suppliers via the Local Government Association's (LGA's) National Procurement Strategy (NPS). The strategy aims to help local government get better value from the £38 billion spent nationally every year with suppliers.
5. Middlesbrough spends over £100million per year on external goods, services and works.

6. The NPS encourages all councils in England to engage with the delivery of outcomes in four key areas: making savings; supporting local economies; leadership; and modernising procurement. The strategy indicates that councils need to use their spending power “wisely and strategically” and that authorities should “aggregate spend through effective collaboration, or by sharing services on common goods and services, without compromising the need for social value”.
7. The Chair of OSB had raised the issue of supporting local economies - and thereby maximising economic, social and environmental benefits - as being of particular importance. As a result, the Board agreed to explore this aspect of the National Procurement Strategy, in particular to determine the current position in Middlesbrough.

LGA National Procurement Strategy

8. OSB agreed that a particular aspect of the National Procurement Strategy, as recently discussed at NEPO, be the subject of scrutiny:

Theme 2 - Supporting Local Economies

Councils need to maximise the economic, social and environmental benefits to communities from every pound that is spent, and we believe that spend with SMEs (Small and Medium sized Enterprises) and VCSEs (Voluntary and Community Sector Enterprises) can make a very significant contribution to local economic growth. This includes Social Value Act duties. Councils can do more to remove barriers faced by SME's and VCSE's bidding for council contracts such as by:

- *Inclusion of economic, environmental and social value criteria in all contracts - Councils should be reducing waste by making sustainable choices when procuring products and services - helping them to cut costs, and meet their social, economic and environmental objectives; and*
- *Improving access for SME's and VCSE's Councils should ensure a wide range of suppliers are encouraged to do business with them through use of portals to advertise tender opportunities.*

Barriers to doing business with the council should be removed without compromising due process. SME's and VCSE's are encouraged to identify potential 'partners' with whom to form consortia to bid for council contracts. Councils should identify forward spend wherever possible and use this data to inform pre-market engagement and supplier planning.

Public Services (Social Value) Act 2012

9. OSB heard that national focus on social value in procurement processes was also provided by the 2012 Public Services (Social Value) Act. This requires public authorities to have regard to economic, social and environmental well-being in connection with public service contracts before the procurement process starts. The Act applies to the pre-procurement stage of contracts for services because that is where it was believed social value can be considered to the greatest effect and provides that authorities must consider “How *what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area.*”

Legislative and other considerations

10. OSB heard from the Council's Strategic Commissioning and Procurement Officer, who provided an overview of the Council's Procurement Strategy. This outlined how the strategy supports the local market while complying with relevant regulations and restrictions. It was explained that in the case of contracts for goods and services of over £172,000, authorities are bound by Official Journal of the European Union (OJEU) regulations and are required to go out to tender. Large contracts, such as those for the purchase of fuel, inevitably go out to the larger market, to a large extent via NEPO (North East Purchasing Organisation)
11. Due to central government cuts, Middlesbrough's external spending power has drastically reduced in recent years from £125million spent externally in 2008/09 to £104million in 2013/14. In addition many of those cuts have been in relation to items purchased locally, such as stationary, so disproportionately impacting on the local economy.
12. The market in Middlesbrough, being a relatively small borough, also restricts the type of good and services and sometimes the size of the contract that can be procured from within the town.
13. The Council's Corporate Procurement Strategy states that "whilst there is scope to take account a wide range of sustainability issues this must be carried out in line with procurement legislation and under a strict set of circumstances that ensure any issues taken into account are
 - Relevant to the subject matter of the contract
 - Non-discriminatory and transparent
 - Consistent with what the EU directives say about the criteria allowed at each stage of the process (this means that sustainable procurement objectives should be taken into account as early as possible in the procurement process i.e. in the business case); and
 - Tested critically for cost effectiveness, efficiency and affordability in using public expenditure. Importantly, sustainable procurement must square with the efficiency agenda, which means that issues of cost and affordability must be addressed."

The position in Middlesbrough

14. As far back as September 2005 Members gave a declaration of support for the Small Business Friendly Concordat, pledging to actively engage with small businesses and the council's commitment to good procurement practices. The key points included:
 - Publishing the procurement strategy
 - Access to contract opportunities
 - Details of suppliers
 - Fair tender process
 - Meaningful feed back to supplier
 - Paying suppliers on time (currently 20 days rather than the standard 30 days for direct suppliers)

15. As reflected in a report to the Ad Hoc Scrutiny Panel in 2008, Middlesbrough has shown a commitment to Sustainable Procurement for a number of years. Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only for the organisation, but also for society and the economy, whilst minimising damage to the environment. An existing Sustainable Procurement Strategy was embedded in the Council's Corporate Procurement Strategy 2009-2012, which begins by stating on the front page "as a Council we will utilise sustainable procurement to assist in delivering the wider policy objectives for the town"
16. From 2008 utilising grant funding managers from Strategic Commissioning & Procurement and Regeneration attended a number of events, workshops and seminars with the business and third sector to explain the procurement process.
17. The Council signposts local businesses to NEPO's 'Business Club' which engages with businesses across the region including SMEs and the Voluntary Sector.
18. For some years all tender opportunities have been placed on the Council website, plus dependent on value and requirement advertised on the European website for OJEU
19. The Council's website contains a page under its business section entitled 'sell to us' containing:
 - The Corporate Procurement Strategy
 - Advice on 'How to do Business with the Council'
 - Tender Procedure Rules
 - Top tips
 - Procurement case studies
 - Links to 'Contracts Finder' and NEPO
20. The Council has named contacts for the local Chamber of Commerce, the Federation of Small Businesses, the BME sector and the voluntary sectors. The contacts are sent details of all open tendering opportunities and act as Gatekeepers, sending tender details to their members
21. The Tees Valley Joint Procurement Group:
 - Has a Joint Contracts Register.
 - Report to the Tees Valley Director of Resources Group.
 - Speaks as 'one voice' (through its officers) at NEPO meetings seeking sub-regional lots in all NEPO contracts to ensure Tees Valley businesses get the same opportunities as Tyne & Wear businesses.
22. Middlesbrough was a key driver in both the creation of a Sustainable Procurement Strategy for NEPO and ensuring that sub-regional lots were available in NEPO contracts

23. The Council's Strategic Commissioning and Procurement Officer confirmed to OSB that Middlesbrough Council's procurement service uses local suppliers where possible within the constraints of existing regulations. All quotes must be from local suppliers where the goods or service are obtainable locally, from within the Tees Valley.
24. The Council processes allow for SMEs and/or the third sector organisations to form consortia with partners to bid for council contracts that they may not be in a position to bid for on their own
25. In the evaluation of tenders Middlesbrough has developed a 'Whole Life Cost+' model which measures not only all of the relevant costs for purchase, operational use, maintenance and disposal but also identifies and measures any economic, environmental and or economic risks and benefits that are specific to individual contracts. This has been held up as an example of good practice at a regional level and shared with other authorities.
26. A local framework has also been developed in conjunction with Middlesbrough Voluntary Development Agency (MVDA) in respect of engaging the voluntary and community sector in commissioning. This acknowledges that commissioning appropriate and cost-effective services is a key challenge facing Middlesbrough Council and outlines how VCS involvement can support effective and intelligent commissioning.
27. In response to a query concerning social value locally, it was confirmed that Middlesbrough Council is working with Redcar and Cleveland Council to establish Social Value Task Groups across the Tees Valley to maximise local benefits.
28. Middlesbrough Council spent £104million in 2013/14 on goods, services and works. Much of that is on larger contracts which by law must go out to procurement within the EU. Details of a Council Spend Analysis System includes information from 2013/14 summarised as follows:
 - The proportion of Council spend on SMEs (small to medium-sized enterprises) was 38.33% during the year.
 - The proportion of Council spend on the VCS (Voluntary Community Sector)/Third Sector was 18.19%
 - The proportion of Council spend within the North East is 28%
 - The proportion of council spend within the Tees Valley is 18% with 37% of that being spent within Middlesbrough
29. OSB also heard that the Council's Strategic Commissioning and Procurement service is currently being reviewed and restructured. This will provide an opportunity to introduce consistent procurement practices across the authority. Discussions will be held with all service areas to understand what they are procuring and why and to determine improvements that can be made.

30. The Board also questioned whether Middlesbrough Council can influence its partners to further encourage local procurement. It was confirmed that, while partners have their own policies and procedures, the Council tries to promote the use of local suppliers and employment of local labour by partner organisations.

CONCLUSIONS

31. Having considered the submitted information, the Overview and Scrutiny Board concluded as follows:
1. Middlesbrough Council is already 'ahead of the game' in many respects, has already been proactive for some years and has taken actions as outlined above to ensure its spending power benefits local businesses and delivers social and environmental benefits. OSB is satisfied that the authority is already complying with most of the vision outlined in the LGA's National Procurement Strategy in relation to supporting local economies.
 2. Good progress has been made to date, and work is also ongoing, to:
 - a) Further consider and understand the needs of our local communities and the benefits that can be achieved through effective and efficient local commissioning and procurement;
 - b) Ensure that social value is taken into account and reflected in all relevant contracts and is considered objectively and fairly as part of the commissioning and procurement processes.

RECOMMENDATIONS

32. Following the submitted evidence, and based on the conclusions above, the Overview and Scrutiny Board's recommendations for consideration by The Executive are as follows:
1. That the Executive notes the excellent work and good progress already made over recent years in respect of utilising procurement to support local businesses and that Middlesbrough was already in an advanced position and well placed to comply with the key area of the vision, in relation to 'Supporting Local Economies', contained on the Local Government Association's National Procurement Strategy
 2. That work is continued to build on the progress to date, in particular:
 - a) By continuing to ensure that the Council's commissioning and procurement processes are developed and reviewed to ensure that these maximise social value locally.
 - b) Continue to work, along with partners, to promote social value opportunities for the wider benefit of local communities.

BACKGROUND PAPERS

33. The following background papers were used in the preparation of this report:

- Agenda and papers of the Overview and Scrutiny Board meeting held on 9 December 2014.
- Public Services (Social Value) Act 2012
- Cabinet Office Procurement Policy Note: Public Services (Social Value) Act 2012
- Report to Ad Hoc Scrutiny Panel; Procurement Supporting Local Business and Social Enterprise, 29 January 2008
- Middlesbrough Council's Corporate Procurement Strategy
- Local Government Association Sustainable Procurement Strategy 2007
- Local Government Association, National Procurement Strategy for Local Government in England 2014

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