

CABINET	Paper No. 9
Meeting date: 6 January 2009	
From: Corporate Director – Resources	

PROCURING FROM THE LOCAL ECONOMY

1.0 EXECUTIVE SUMMARY

- 1.1 *This report sets out the Council's current position on the Council's procurement of goods, works and services from organisations based within Cumbria, outlines the legislative and financial context and highlights actions to be taken to support the local economy.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1 *This report supports the Improving Council Services theme as effective procurement of goods, works and services aims to deliver value for money, generate efficiency savings and facilitate improvements in service delivery across the Council. The report also supports the 'Making Cumbria More.*
- 2.2 *Public sector procurement must be open, fair, transparent and equitable. This report sets out how the Council can support actions to procure goods, works and services from within the local economy whilst complying with relevant procurement and equalities legislation.*

3.0 RECOMMENDATION

- 3.1 *Cabinet is requested to note the progress made in procuring goods, works and services from locally based suppliers and the projects which contribute to this.*
- 3.2 *Cabinet is recommended to support further actions to promote procurement from the local economy whilst recognising the limitations placed on the Council by the requirements of the EU Procurement Directive and the requirement to generate 3% annual efficiency savings. Such actions to include the wider use of social clauses in tendering, investigation of early payment terms, pro-active supplier engagement and further collaboration with partners.*

4.0 BACKGROUND

- 4.1 Current position: The Council has several initiatives in place to ensure our procurement practices and procedures support the Cumbrian economy. Indeed, over 58% of the Council's suppliers are located in the county. *(Based on an externally validated analysis of the Council's expenditure with third party organisations in 2005-06)*
- 4.2 This analysis is supported by work undertaken by the Centre of Regional Economic Development which, in a 2006/07 study, found a high proportion of local supply, particularly in markets such as care services, transport and construction. This study also suggested that while such suppliers valued the business provided by local government less than 9% were deemed to rely upon local authorities for a level of revenue which, if lost, would pose a threat to their overall financial viability. Again, this level of vulnerability is more acute in areas such as construction where cash flow can be less reliable than other markets. It can be assumed that the current economic situation will increase reliance upon the public sector as a source of revenue.
- 4.3 Notwithstanding legal restrictions (see below), the Strategic and Commercial Procurement Unit has taken action to encourage locally based suppliers to tender for council contracts. Examples here include the introduction of a policy led procurement framework (Cabinet Oct 2007) which sets out the use of sustainable procurement clauses in tenders, the development of specific policies relating to sustainable construction, carbon reduction and equalities in procurement; and initiating and implementing several projects to increase awareness of our tendering processes within third sector organisations, small and medium sized enterprises and local suppliers.
- 4.4 In addition Cumbria is one of five local authorities across the country which has participated in a project sponsored by Treasury and the Cabinet Office to explore the use of social clauses in procurement. Such clauses are used to build social, economic and environmental sustainability into the tendering process so that bidders must demonstrate how their tenders contribute not just to cost savings and best value but also to wider community benefit. The use of social clauses can provide local suppliers with a competitive advantage as they are able to illustrate their local knowledge and build in additional value to their bids. **Social clauses are now used in all tenders which are either managed or facilitated by the Unit. Similarly Council policies on equalities, including equality of access to services, are reflected in, and supported by, procurement practice.** Recent examples include tenders for the provision of debt advice, integrated youth services, and the Richard Rose Academy.
- 4.5 The use of social clauses and other mechanisms to help promote local procurement can be challenging when the focus of procurement activity is firmly set to generate efficiency savings. While it is too simplistic to assume that buying big leads to efficiency gains, there can be a trade-off between the incorporation of local issues in tenders and the need to realise cashable savings (see Section 6). (In addition there is a growing expectation that collaboration between public sector organisations will increase and will lead

to a wider use of national frameworks for commonly purchased services). A pragmatic approach is therefore required where the ratio between financial and non-financial factors allocated in tenders varies according to the nature of the goods or services being procured.

- 4.6 Similarly, the Strategic and Commercial Procurement Unit has worked to embed the commitments made in the Council's Third Sector Compact into our procurement processes. The Unit has worked with the Cumbria Council for Voluntary Services to run a series of workshops and training courses aimed at third sector organisations wishing to bid for CCC contracts. In addition a member of staff from the Community Unit is seconded to SCPU for two days per week in order to progress work in this area – a project which is now receiving national recognition from the Cabinet Office and the Office of the Third Sector. This work will continue into 2008/09 and will contribute to the creation of a healthy environment for the third sector (LAA target).
- 4.7 Another example of our recognition of the importance of local supply can be seen in food where we have an annual expenditure, including school meals and residential care services, approaching £5m. Of this over 25% of the value is spent on foods grown, reared and manufactured in Cumbria – up to £1.25m. In addition all foods are distributed by Cumbrian companies and we estimate that up to 1000 people are employed in the local businesses that supply food products and services to us. The local foods range consists of fresh beef, lamb, pork and poultry as well as fresh butchers' sausages. We purchase all our fresh liquid milk, including organic milk, from a local dairy using milk from Cumbrian farms. Other items include free-range eggs, some potatoes and a selection of vegetables and salads, fresh breads and rolls, savoury pastries, locally milled flours, cooked meats, sandwich fillings and wet salads. In buying locally, as opposed to the next nearest options, we believe that we are saving up to 150,000 food miles per annum.
- 4.8 Collaboration: The Council's procurement Unit has led the development of collaborative procurement arrangements across local government in the county, resulting in the establishment of EPiC, (Effective Procurement in Cumbria). EPiC provides a collaborative forum for the County to engage with the six District Councils and the Lake District National Park and has focussed on three workstreams: a joint tendering programme, shared use of electronic tendering systems, and development of shared procurement policies and procedures. This work has the potential to have a positive effect on the local supply base as joint tenders reduce bureaucracy, provide a single point of contract, utilise standard processes and open up access to a wider market.
- 4.9 E-procurement: The public sector has been encouraged to use technology to improve the efficiency of its back-office processes. Significant progress has been, and continues to be made, in this area with the County's use of purchase cards, an electronic portal and tendering system and, currently, the implementation of the e-procurement module of the e5 financial management system. However, it should be noted that e-procurement can be perceived as a threat as well as an opportunity and the Unit has subsequently adopted measures to ensure local suppliers are not disenfranchised and can benefit from these initiatives.

- 4.10 The development and adoption of a portal for the advertising and administration of tenders (www.thechest.nwiep.gov.uk) provides suppliers with a single point of information on forthcoming contract opportunities. All tenders facilitated by Strategic and Commercial Procurement now utilise this system. Suppliers can register free of charge, receive email notification of new tenders (including those from other authorities across the north-west) and can access and submit tender documents electronically thereby reducing administration costs.
- 4.11 The Unit recently secured funding from the North West Regional Improvement and Efficiency Partnership to run a series of supplier engagement events across Cumbria. The purpose of these events, which were supported by a number of business resource agencies, including Chamber of Commerce and Business Link, was to communicate information on the portal, demonstrate the electronic tendering system and to facilitate supplier registration. To date over 500 Cumbrian based suppliers are now registered and are able to bid for relevant contracts. The system complements our normal procedures enhancing accessibility for local suppliers.
- 4.12 In addition the implementation of the e-procurement module of e5 provides further opportunities for local suppliers as the system provides visibility of our third party expenditure, enables aggregation, reduces 'off-contract' spend and allows a degree of financial control previously unavailable. Where appropriate the products and services provided by approved suppliers are being processed into electronic catalogues, with end users generating electronic requisitions and orders, making the purchase-to-pay process more efficient for both the Council and our suppliers. The system is currently being trialled in SCPU and Children's Services and will be rolled-out across the Council in 2009. The trial includes the use of local suppliers; a process that will form part of the implementation strategy next year.
- 4.13 One of the benefits to suppliers of public sector business is the certainty of cash-flow and our ability to pay a high proportion of invoices within 30 days. The e-procurement system will make it easier to pay suppliers in accordance with payment terms and we are currently investigating whether this functionality can be streamlined for local suppliers and SME's.

5.0 OPTIONS

- 5.1 Cabinet could note the progress made in procuring from the local economy and support further action.
- 5.2 Cabinet could note the progress made in procuring from the local economy and decide no further action is required, leaving market forces and tendering

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 6.1 Under the Comprehensive Spending Review 2007 the Council is required to achieve 3% annual cashable efficiency savings; a target which equates to £30m over the next three years. It is expected that a significant proportion of

such savings will be generated through “smarter” procurement and will comprise efficiencies gained by business process improvements, the use of regional and national contracts and frameworks, service redesign and greater collaboration across the public sector.

- 6.2 Whilst action can continue to be taken to procure goods and service locally, this can only be done within the financial and legal framework in which we work, and where it represents good value for money for the authority.

7.0 LEGAL IMPLICATIONS

- 7.1 The Council’s procurement procedures and practices must comply with the EU Consolidated Procurement Directive (2006) which, with some exemptions for social care and other specialist services, requires all contracts for goods and services with a total contract value in excess of £139,983 to follow prescribed procedures and to uphold the principle of fair and open competition throughout the EU and, crucially, to be non-discriminatory. (NB: The threshold for construction projects is £3,497,313).
- 7.2 Contracting authorities not complying with the Directive are open to legal challenge in the High Court. Remedies can include having contracts set aside and the awarding of compensation and financial penalties.
- 7.3 Under the Directive contracting authorities cannot provide preferential treatment to bidders from their own region or even their own state; tenders must be open to bidders from across the EU and the process must be fair, equitable and transparent.
- 7.4 However, there is some scope under the Directives for authorities to use “social clauses” provided that such clauses relate to the subject matter of the goods, works or services being procured and that the clauses, and their evaluation criteria, have been included in the tendering documents, including the Contract Notice.
- 7.5 The use of social clauses also provides some limited scope in relation to local employment issues. While the Council would be unable to specify that a contract can only be awarded to a company employing people who live in Cumbria, it is legitimate to build in conditions of contract around 'Targeted Recruitment and Training' where, for example, a contracting authority may wish to promote social and economic sustainability by requiring a proportion of apprenticeships or training opportunities in a construction contract.

8.0 CONCLUSION

- 8.1 Cumbria County Council has taken positive action to promote the procurement of goods, works and services from organisations based in the County.
- 8.2 The Council recognises the impact its procurement has on the local economy and will work within the relevant financial and legal frameworks, to continue to provide such positive action.

APPENDICES

None

Electoral Division(s): ALL

** Please remove whichever option is not applicable*

Executive Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Key Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If a Key Decision, is the proposal published in the current Forward Plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the decision exempt from call-in on grounds of urgency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has this matter been considered by Overview and Scrutiny? If so, give details below.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has an environmental or sustainability impact assessment been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has an equality impact assessment been undertaken?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

N.B. If an executive decision is made, then a decision cannot be implemented until the expiry of the eighth working day after the date of the meeting – unless the decision is urgent and exempt from call-in and the Head of Member Services and Scrutiny has obtained the necessary approvals.

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS ***[including Local Committees]***

****List here any previous relevant decisions. If none, state “No previous relevant decisions”.***

CONSIDERATION BY OVERVIEW AND SCRUTINY

Not considered by Overview and Scrutiny.

BACKGROUND PAPERS

No background papers”

RESPONSIBLE CABINET MEMBER

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