

Finance & Performance Committee

05 December 2023

Staffordshire Moorlands District Council Procurement Procedures

Local Supplier Engagement Briefing paper

1.0 Introduction

- 1.1 Spending public money with local suppliers provides additional economic benefit to the local economy and this briefing note sets out some of the potential initiatives and changes to policy to remove some of the barriers to working with local suppliers and optimise our expenditure with them.
- 1.2 The Council's Corporate Plan 2023-27 aims to drive growth in the local economy, creating local jobs and contract opportunities. In addition, effective procurement with a focus on local business is a key objective in the plan, with the overarching aim to achieve effective use of resources and provide value for money.
- 1.3 There is clearly a focus on procurement as an important part of supporting and delivering the priority actions to achieve the outcomes to fulfil these aims.
- 1.4 Gross spending on public sector procurement was £379 billion in 2021/22 across the UK and highlights the role of procurement in local government. Procurement remains pivotal in maximising these opportunities through our supply chains and managing the challenges faced by our sector and our communities.
- 1.5 The Council's current revenue spend on supplies and services is just over £8.3m in this financial year. Highest proportions of this spend are predominantly on categories such as Utilities and fixed contracted spend with strategic supply partners, which cannot be sourced from the local area. The percentage of spend with local suppliers at the end of Qtr 2 was 5.09 %, with 26% of opportunities advertised being awarded to local suppliers. The primary focus is to improve on these results and increase and achieve performance targets year on year.
- 1.6 Defining local supply chain generally is referred to as 'a network of producers, suppliers and distributors of goods and services close to the point of consumption'. How we then set the measurements for defining the area and scope of reach in and around our regions is largely down to the Local Authority. There are no set parameters in procurement practice when defining 'local area'.
- 1.7 The Council already profiles and monitors its direct supplier spend with locally based companies, we approach this on the basis of a registered business

postcode which covers Staffordshire County and the immediate boundary to define our local area.

- 1.8 There is much more to do to remove real and perceived barriers in doing business with the Council and to make our commissioning intentions more accessible and available to potential suppliers.

2.0 Local Supply chain policy

- 2.1 Developing a local supply policy aims to encourage and support early supplier engagement in order to improve local suppliers' ability to compete for contracts, with an overall intent to increase our level of spend with them.
 - 2.2 The Council currently does not have a local supply chain policy agreed, but this has been included as a priority action in the refreshed Procurement Strategy 2022-25.
 - 2.3 Developing a policy will directly support the changes in the Council's Procurement Procedures Rules to achieve greater flexibility under the Council's governance framework, to aim to achieve a higher proportion of overall spend with locally based businesses.
 - 2.4 A developed policy will also provide a firm commitment to our regional businesses that we want to engage, encourage and contract with.
- 2.5 The diagram below details the coloration of actions and enablers to achieve the aim of supporting the local economy:



2.5 Furthermore, developing the local supply policy will instigate new initiatives, working with the Chamber of Commerce and other small business networks in North Staffordshire.

3.0 Procurement Procedure Rules - current practice

3.1 The current procurement procedure rules were last refreshed in 2017 and permitted more flexibility on higher value award decisions and enabled lower value spend to be made available to open competition i.e. over £5,000 openly published.

3.2 Current procedures follow different sourcing routes for the level of spend, as detailed below:

<£2,000 Contracts with a value below £2,000, no requirement to complete a competitive procedure (best value must be demonstrated)

>£2,000 At least three written quotations sourced directly (not advertised)

>£5,000- £25,000 Open publication for all opportunities over £5,000 (request for quotations)

>£10,000 Published on Contracts Finder (Central Gov.)

>£25,000 Tender Procedure – managed through tendering portal by procurement

3.3 For the spend levels detailed at 3.2 there is no direct requirement to include an invite to quote directly from local supply chain. We encourage this, however, there is no set ruling to evidence that invites have been generated to locally based businesses that could meet our needs.

3.4 Above threshold levels for supplies, services or works are subject to the Public Contract Regulations 2015 (with no deviation permitted under any Council discretionary procedures).

4.0 Procurement Procedure Rules – Refresh (suggested revisions)

4.1 Clearly the current procedure rules have enabled a wider reach on open, transparent opportunities, but that does also increase the opportunity more widely outside our direct region. Therefore there are some suggestions below to narrow down opportunity listings to a ring fenced region whilst maintaining fair, open and transparent competition.

4.2 **(Revision 01) Local Supply Direct Awards <£2,000**

Where contracts can be awarded without competition, preference should again be given to VCSE (Voluntary Community Social Enterprise) and local suppliers to quote and award to, however best value still must be achieved.

4.3 This does not mean that we should automatically use local suppliers for all low value contracts, as there is always a value for money consideration. It does, however provide a route to maximise opportunities for local suppliers.

4.4 **(Revision 02) Ring Fencing <£10,000**

Aiming to enable and ring fence more opportunity and 'exclusivity of a direct invite*' to **local** SMEs and micro businesses, sole traders to submit quotations for supplies, services or works under the value of £10,000

*when selecting suppliers to quote, preference should be given to local suppliers for all contracts with a value below £10k (where practicable)

4.5 **(Revision 03) Notifications – local supplier registration**

Contract opportunities over £25,000 (invite to tender) will still require open advertising, however we will ensure that a direct notification of the opportunity goes out to local businesses registered with us. We will look to improve on social media notifications and have a more focussed approach with communications in our local supply network.

4.6 **(Revision 04) Simplified process for all below PCRs thresholds**

The aim is to award contracts using simplified and fully transparent competition arrangements, without over burdening the process.

4.7 We will support local businesses and encourage their input, in advance of published competitive processes to help them to better understand our requirements and submit competitive bids.

4.8 We will look to simplify Council procurement processes and documentation wherever possible to remove unnecessary barriers to smaller suppliers competing for Council contracts, and/or to provide support and advice to smaller suppliers.

4.9 We evaluate the risks and make the necessary changes to the current parameters on minimum requirements for contracting e.g. Insurance levels for Public and Professional Indemnities. The Qualification process will be proportionate to the nature and likely risk associated with the contract, this will alleviate the burden for smaller businesses to have set policies and financial position which may have excluded them as a supplier in the past.

4.10 We will continue to provide constructive feedback to unsuccessful suppliers as part of the procurement process. We also produce updated guidance for suppliers on how to sell to the Council, including online workshops and drop

in sessions to support them on using tendering systems and completing bid submissions.

5.0 Council Controlled companies and Strategic supply partners

- 5.1 Alliance Environmental Services Ltd and Alliance Norse Ltd operate their own procurement procedures and supply chain.
- 5.2 As Local Authority subsidiary arrangements, we are assured that both organisations work to the requirements of public sector contracting regulations and practices, enabling accountability and transparency in their sourcing activities, however we can look to strengthen the connections on procurement between those companies and the Council and our ambitions around local suppliers.
- 5.3 We will aim to make improvements in our work with our Council controlled companies to directly support local suppliers to ensure that they are aware of forthcoming opportunities, with linked Procurement pages and information
- 5.4 Initiatives we can implement to improve on the current position may include:
 - Meet the buyer events working with our Controlled companies promoting their contracting opportunities in construction sub-contracting and materials supply requirements. Informing how to do business with them and keep business arrangements local.
 - Shared procurement pipeline of up and coming contracts
 - Published links to opportunity listings
 - Updated webpages with doing business information
 - Sharing local supply chain performance through Commissioning boards

6.0 Social Value opportunities

- 6.1 Social Value is a key tool to use in increasing the use of local supply chains and promoting local jobs. Using Social Value in the procurement process allows us to make this a key part of the evaluation, which focuses potential suppliers on supporting this objective.
- 6.2 We should also make local supply a key part of our contract management processes, to ensure that suppliers are delivering on their contractual obligations related to local supply if built into the outputs of the contract deliverables and key performance indicators, to measure and improve their ongoing performance (i.e. sustainable and progressive increased % in local supply chain use) in this area.

7.0 Conclusion and next steps

- 7.1 This briefing note sets out some of the key changes and initiatives the Procurement team will need to consider to move forwards to achieve a greater increase in local supply engagement. The suggestions as forementioned in this document will be profiled into a more comprehensive scoping document to progress with internal and external stakeholders, before formally taking forward to agree revisions to the current procedure rules via the usual decision making process involving the Constitution Working Group.
- 7.2 Enabling the Finance and Performance Committee to actively contribute into the development of the revisions will determine and directly support the Council's direction of travel in enabling local business engagement strategies.
- 7.3 A further report will be prepared in consultation with the Head of Service Commissioning and the Executive Director for Governance and Commissioning.

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