

Decision Maker: **Renewal and Recreation Portfolio Holder**
For Pre-Decision Scrutiny by the Renewal and Recreation Policy Development and Scrutiny Committee

Date: **13 November 2012**

Decision Type: Non-Urgent Executive Non-Key

Title: **PROVISIONS TO ENCOURAGE USE OF LOCAL/SME SERVICE PROVIDERS IN BROMLEY**

Contact Officer: Dave Starling, Head of Corporate Procurement
E-mail: dave.starling@bromley.gov.uk
Tel: 020 8313 4639

Chief Officer: Peter Turner

Ward: All

1. Reason for report

To further encourage, where possible, the use of Local Small, Medium Enterprises (SME's) located within the London Borough of Bromley, for requirements placed when obtaining competitive quotations.

2. **RECOMMENDATION(S)**

The Portfolio Holder is asked to agree that the Council adopts the use of the attached protocol on the inclusion of local Small & Medium Sized Enterprises (SME's) contractors when sourcing and selecting those organisations included to provide quotations to the Council for works, services and supplies, where the estimated value is less than £50K.

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Vibrant, Thriving Town Centres
-

Financial

1. Cost of proposal: No Cost
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre:
 4. Total current budget for this head: £
 5. Source of funding: No additional cost to existing budgets
-

Staff

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Non-Statutory - Government Guidance
 2. Call-in: Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The Council's Corporate Procurement Strategy, a summary of which is included at Appendix A to this report, provides for the adoption of arrangements which aim **"to promote and stimulate the local economy,"** being based on a locus to realise economic, social and environmental benefits for the community through its contracting activity.
- 3.2 In support of its work to encourage the use of local SME's, when appropriate, and to encourage economic development and regeneration within the Local Authority area the Council maintains links with a number of organisations, such as the South East London Chamber of Commerce and Federation of Small Businesses, with whom it works to develop processes and arrangements to achieve the above aims. This initiative further develops the Council's contracting arrangements in this area of activity and is informed from discussions with these groups.
- 3.3 The Council also retains a business directory service (managed on behalf of the Council by Burrows Communications Ltd) as part of its business support activity, the Directory being hosted on the "Business" area of "Bromley Knowledge". Burrows makes no additional charge for businesses to register on the Directory which provides for a reasonably large coverage of over 3500 businesses located in the Council area. It is proposed that this is used as the primary source of information for use in the operation of this protocol.
- 3.4 However, while this is a useful source of information it may not necessarily provide for all services and activities which could need to be accessed. For this reason it is proposed that other sources of local businesses information are included to enable different services needs to be covered or to add to information obtained from the primary source. A number are listed in the protocol and these may be further developed and supplemented by service based lists (based on a "Bromley" trading presence) as necessary and appropriate.
- 3.5 Within the Council's Contract Procedure Rules, provision is made to "...Support local business to the maximum extent permitted by law and the duty to demonstrate value for money" (CPR 1.1). Differentiation is also made between more complex arrangements, where a more formal tender process is required and those where written quotations are likely to suffice (CPR 8.1/8.5). In part this differentiation is provided in order not to deter small and medium enterprises (who are also more likely to be local providers) from submitting quotations because they perceive the process as being over complicated. Currently this split, between the need for placement by quotation or tender, takes place at £50k for the main areas of activity with requirements below this value only requiring 3 written quotations (one quotation confirmed in writing if valued below £5k). Similar provision at £30k is made in the case of Consultancy arrangements identified in CPR8.5
- 3.6 As a result, officers placing requirements below £50k in value (and above £30k for Consultants), have some flexibility around which organisations they seek quotations from and there is an opportunity to further target this spend, in the ways described, in support of the matters identified above. It is also envisaged that where single quotations are being sought at de minimus levels, those placing these arrangements should actively consider the "Local Rules" protocol in their placement.

4. FINANCIAL IMPLICATIONS

The proposals make use of existing arrangements and resources and, as a result, should not have any financial dis-benefits.

5. LEGAL IMPLICATIONS

- The procedures described above will constitute a form of Approved List pursuant to CPR 7.2 and provide a suitable and proportionate measure of competition and should be seen in the context of a variety of other steps which can be legally taken to maximise opportunities for local businesses:
- approach a single supplier for purchases up to the value of £5k providing the purchasing officer can demonstrate that this delivers good value;
- Make maximum use of Corporate Contracts wherever possible;
- Use the Bromley Procurement Card to procure low value goods through local outlets.
- As part of the sourcing strategy the Council can consider:
 - Using contract packaging to break down larger contracts to match SME (Small and medium sized enterprises) and Social Enterprise capacity –though this must be done to achieve better value rather than avoid EU thresholds;
 - Ring-fencing a share of the requirement as a pilot contract for local or Social Enterprise supply;
 - Encouraging collaboration between local SME’s and Social Enterprises to compete for larger contracts;
 - Encouraging larger suppliers to sub-contract to local SME’s and Social Enterprises;
 - Work with individual suppliers to develop a local supply chain and employment opportunities to deliver a better service after awarding a contract;
 - Including social, as well as environmental, benefits into larger contracts (eg seeking the provision of apprenticeships);
 - Holding supplier briefings prior to issuing Invitations to Tender to explore innovation and ensure that specifications are deliverable by the marketplace;
 - Including a requirement for bidders to submit optional, priced proposals for the delivery of community benefits, as long as they are relevant to the contract and the Sustainable Procurement Policy.

Non-Applicable Sections:	Policy and Personnel Implications
Background Documents: (Access via Contact Officer)	

Outline of Corporate Procurement Strategy and Function

The Strategy – Summary Document

1. To seek, through the adoption and communication of procurement best practice, efficiency and cost savings (in support of the Council's financial imperatives) while maintaining quality service provision.
2. **To promote and stimulate the local economy.**
3. To develop effective systems and arrangements which minimise the staff and management resources used in procurement activity.
4. **To ensure the Council's buying power, in collaboration with other partner organisations, is used to promote its wider objectives in a sustainable manner.**
5. To support change and the management of any associated risks resulting.
6. To ensure fairness, transparency and probity in the way the Council completes its procurement activity costs.

h

Local Rules - OK

Purpose

“**Local Rules - OK**” is a Procurement Protocol to encourage the increased use of “Local Trading Organisations”* when seeking competitive quotations. Its use is directed at spend, properly incurred (see **CPR 8**), when seeking competitive quotations for purchases with an estimated value between **£5K** and **£50K (£30k - £100k for Consultants)**. Officers are also encouraged to source locally below these levels in appropriate circumstances.

(* For the purpose of this Protocol a “Local Trading Organisation” is one which is an organisation or company with a business address within the Borough - this being the address to which an order is sent, even if they have a Head Office or other addresses outside of the Borough)

The Council’s **Contract Procedure Rules (CPR)**, which can be viewed via the **Managers Tool kit** on “**onebromley**”, set out the authority’s requirements around competitive tendering and the receipt of quotations for certain value bands of activity. As is the norm, while these requirements are by necessity more demanding as the value and complexity of the contracting arrangement increases, they also provide for a more “relaxed” approach where requirements are estimated to be below the value levels indicated.

The Council endorses the use of “Whole Life Costing” in the way it values its contracting arrangements and this includes the consideration of “Sustainable Procurement” matters which it defines as “...a process whereby an organisation meets their needs for goods, services works and utilities in such a way that achieves Value For Money on a Whole Life Basis in terms of generating benefits, not only for the organisation, but also society and the economy, while minimising damage to the environment. It also provides for the specific consideration of Local Business needs and sustainability at **CPR1.1**

While care must be taken not to disaggregate spend in a way which does not represent Value for Money or might be viewed as being non compliant with legislative requirements, there is still opportunity to legitimately direct spend towards SME/local businesses and the benefits this can provide for the local economy and community. However, the arrangements identified are also intended to be driven by the business needs of the service (and for that reason are not being made mandatory) as there will be occasions when, because of specific requirements, it is not possible to nominate or use a local provider. Where problems of this type are identified the matter should be discussed with the Head of Procurement to see if a local arrangement can be developed in line with the protocols aims and objectives,

Within the context of the above officers are required to consider the nomination of **one Local Provider** at least when they are undertaking a competitive Request for Quotation process. Remember that by using a local company the Council (through you) is actively investing in its community. Spending locally boosts the local economy creating more local business opportunities and more jobs.

How

Contract Procedural Rule 8 (and more specifically **CPR8.1** – Purchases Valued between £5k up to £50k and **CPR8.5** – The Appointment of Consultants – commissions placed between £30k and £100k); provide for the circumstances under which officers can properly seek 3 written quotations for the works, goods or services required. **But Note** other requirements of **CPR’s** will still apply and are not set aside by the operation of this Protocol.

When seeking the required quotations at least one (and more if appropriate) from those whose businesses are based in LB Bromley area, should be included amongst those from whom quotations are requested. The Council's preferred source for this selection process is the Bromley Business Directory (maintained by Burrows Communications Ltd) – which is specifically compiled for the Council and is included in the details provided on the "Business" area of the Bromley internet site.

(The Bromley Burrows Directory is compiled on behalf of and paid for by LB Bromley to help with its business support arrangements. It contains the names and contact details for over 3,500 local businesses. As a free to register service, it is intended this will also be where local businesses seeking business opportunities for non-tendered work will be directed and able to register on it if they wish).

However, it is also likely that there will be areas of activity not covered, or not covered in sufficient depth to meet our requirements. To this end provision is also made to utilise other commercial directories for this area (which are able to be searched by post code), together with directory's held by Local and Sub Regional Business interest Groups such as the Local Chamber of Commerce and the South East London Federation of Small Businesses. These may also be used to source or supplement lists as necessary as required – although remember in the case of the last two these are based on membership of the organisations included.

There are some Council business areas, such as Social Care (who already maintain a list of Care Providers) who may utilise their existing lists to achieve the required outcome – where operational considerations allow, these requirements should also be considered in the operation of any "Approved Lists" held under **CPR 7**.

Included below are the web addresses and details of the Trade Directories identified above and held by third parties and from which it is possible to identify Bromley (Council Area) based suppliers. These are also accessible via the Procurement Tool Kit on OneBromley.

Directory links

www.burrows.co.uk/bromley

<http://www.yell.com>

<http://www.thomsonlocal.com>

<http://www.selondonchamber.org/directory.php>

<http://www.fsbonline.co.uk/>

A list of Bromley borough post codes:

BR1, BR2, BR3, BR4, BR5, BR6, BR7, TN16 3 only, SE9 4 only, SE19 1 only and all SE20 codes

For further information on this subject, including a view of the categories of work covered by each list, contact the Corporate Procurement Group or view additional information contained in the Managers Toolkit at <http://onebromley/HDol/ManKit/Pages/Home.aspx>

This Procurement Practice Note should not be read in isolation from the other requirements stated and identified in the Council's Contract Procedure Rules and the over arching actions it describes to provide for fair, transparent and legal arrangements in the placement of contracts for Works , Goods and Services.