

NORTH LINCOLNSHIRE COUNCIL

THE LEADER OF THE COUNCIL

**FSB REPORT: LOCAL PROCUREMENT – MAKING THE MOST OF SMALL
BUSINESSES**

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This report details the findings from a recent national survey by the Federation of Small Businesses (FSB) on SME engagement in local government-wide procurement.

- The FSB's published national report outlines a series of recommendations that the local government sector as a whole should be adopting to support their local economies and in particular SMEs.
- The council has a significant and recognised track-record of implementing measures that support improved engagement of SMEs in contracts
- An analysis of the FSB's findings and recommendations has been undertaken at local level as part of the council's continuous improvement approach and commitment to supporting SMEs through "exemplar" procurement practices,.
- Analysis through the position statements that accompany the report reveal that to-date the council's pro-active SME development work has provided in excess of 80% compliance with the FSB's recommendations
- A series of continuous improvement steps are recommended linked to existing SME development action plans.

2. BACKGROUND INFORMATION

2.1 The Federation of Small Businesses (FSB) is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it has 200,000 members across 33 regions and 194 branches.

2.2 In March 2012 the FSB commissioned a national survey on local government-wide procurement practices. The aim of the survey was primarily to understand:

- the extent to which SMEs are successful in accessing contract opportunities across all local authorities

- how local government as a whole monitors levels of procurement with SMEs
 - what strategies and initiatives are in place nationally to support SMEs
 - the various types of barriers associated with procurement faced by SMEs when dealing with the local authority sector
- 2.3 Nationally 11,000 FSB members were surveyed initially with a subsequent follow-up survey undertaken by 2,754 members of the FSB Voice of Small Business Panel (37% response rate). The published results represent national data which has been weighted to reflect the FSB's membership profile. FSB has confirmed that an analysis of responses by specific region or membership area/group is unavailable.
- 2.4 A summary of the key findings from the national survey are as follows:
- members stated they were more likely to succeed in bidding for contracts in the private sector compared to the public sector
 - 35% of respondents thought that the public sector procurement process was too long and costly
 - 28% of members were not aware when contracts were available from public sector organisations
 - 28% of members felt they could not compete with larger companies when bidding for public sector work
 - 27% of members felt that some selection criteria used by the public sector excluded SMEs
- 2.5 As part of the council's continuous improvement approach and commitment to supporting SMEs through "exemplar" procurement practices, an analysis of the FSB's findings and recommendations has been undertaken at local level.
- 2.6 The specific recommendations arising from the FSB's national survey report are set out in appendix a. The FSB has mapped out what measures a model authority should adopt in supporting SMEs which is detailed in appendix b. Analysis through the position statements that accompany the report reveal that the council's pro-active SME development work to-date has provided a level of compliance with the FSB's recommendations in excess of 80-%. The gap will be addressed through a series of existing continuous improvement steps (appendix c).
- 2.7 The tables below detail the split of the council's procurement spend based on local suppliers and SMEs, compared with FSB reported findings.

Local/SME Spend Comparison with FSB Report:

2009/10 NLC Data		FSB Report Findings (council average - national)
Local Spend	37.3%	35%
SME Spend	51%	49%

Supplier Size Profile (2009/10):

	NLC
Small (up to 50 employees)	30%
Medium (up to 250 employees)	21%
Large (250+ employees)	36%
Unclassified	13%

- 2.8 The council currently spends c. £112m each year on bought in goods, services and works required to deliver quality services to local people. Its procurement strategy sets out the development programme for supporting local businesses and SMEs.
- 2.9 The council's spend is managed through the procurement framework set out in contract procedure rules (CPRs). It is also governed by the Public Contract Regulations 2006 which apply to all public sector bodies.
- 2.10 The council has a primary duty to demonstrate value for money for local council tax payers through the money it spends. This is a central principle of government procurement policy.
- 2.11 We have an established and widely recognised track record of implementing measures which support SMEs and local firms, examples include:
- Holding quarterly SME workshops on understanding the procurement process
 - Supporting local business events i.e. Bizweek
 - Publication of a 'selling to the council' guide available on our website
 - Publication of our annual procurement plan on the website to provide a forward plan of potential future procurement requirements
 - Monthly publication of contracts let over £10k to promote supply chain opportunities and transparency
 - Advertisement of procurements over £10k on the tendering portal – SCMS and the national tendering resource "Contracts Finder"
 - Use of social media i.e. Twitter to promote contract opportunities
 - Adoption of the national Pre Qualification Questionnaire
 - Procurement thresholds revised to simplify procurement process for lower value purchases
 - Streamlined and simplified processes and reduction in the number and size of documents
 - Removal of Pre Qualification Questionnaire processes for sub £100k procurements
 - Promotion of local sourcing from SMEs via CPRs for sub EU procurements
 - Financial/insurance information sought at preferred bidder stage to reduce burdens on SMEs and VCOs
 - Promotion of contract packaging to appeal to SMEs/VCOs where value for money can be demonstrated
 - Use of modern tools such as Dynamic Purchasing Systems to minimise SME's being "locked-out" of opportunities
 - Development of 'Buy4NorthernLincolnshire' resource to bring together public procurement partners across the area
 - Awareness training on SME issues for procuring officers.

3. OPTIONS FOR CONSIDERATION

3.1 See 8.1

4. ANALYSIS OF OPTIONS

4.1 See 8.1

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Financial
None

5.2 Staffing
The council's corporate procurement training course for officers includes awareness of SME issues.

5.3 Property & IT
None

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 CRIME AND DISORDER, RISK AND OTHER)

None

7. OUTCOMES OF CONSULTATION

7.1 The report has been agreed by Economic Development.

7.2 The findings and actions will be shared with the Strategic Commissioning and Procurement Group.

8. RECOMMENDATION

8.1 That the findings from the FSB's national survey together with the position statement and gap analysis are noted.

8.2 That the continuous improvement actions detailed in appendix c are approved.

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Background Papers used in the preparation of this report:
FSB- Local Government Procurement Report 2012

Appendix A – FSB recommendations

FSB recommendation	Position Statement	Status	Action
Councils to adopt a procurement strategy that recognises the significant benefits of procuring from local small businesses when tendering for goods and services.	<p>Joint procurement strategy 2012 approved with links to council strategy.</p> <p>Economic Growth is a key improvement theme in the Joint Procurement Strategy. Key measures are included to support local SMEs.</p>	Achieved	None
Local authority economic development strategies to take account of the needs of the existing local economy and inform procurement strategy based on a comprehensive analysis of spend.	The Interim Economic Development (ED) Strategy is due to be refreshed September 2012. A revised economic assessment shall be undertaken in line with the updated strategy.	Part Achieved	To work with economic development team to ensure revised ED Strategy has links with existing Procurement Strategy (through Buy 4 Northern Lincolnshire).
Councils to consider actively how much of each procurement decision should be assigned to social value considerations.	<p>The council has a sustainable procurement policy which details how each procurement decision needs to consider environmental, economic and/or social considerations.</p> <p>Service contracts (above EU) require a mandatory integrated impact assessment (IIA) at pre-procurement stage to inform the project team of key issues.</p>	Part Achieved	<p>Awareness sessions to be promoted to key procurers on social value.</p> <p>Social Value in procurement toolkit to be developed by September 2012.</p>
All authorities to have mechanisms in place to record and analyse where and with which businesses their money is spent. This should include measuring the size of enterprise – medium, small or micro.	<p>The council undertakes bi-annual spend analysis to understand the spend profile against differently sized businesses. This has enabled the council to target SME events where particular business sectors are underrepresented.</p> <p>Local spend over £10k is monitored through contracts let report.</p>	Achieved	None

FSB recommendation	Position Statement	Status	Action
Councils to make information on spend publicly available and easily accessible, at least annually.	Through transparency requirements the council publishes details of all purchases over £500, as well as a monthly report on contracts let over £10k on the website. The council also has produced a Market Position Statement providing a clear programme of commissioning and procurement plans.	Achieved	None
Councils to monitor and take account of the economic impact of their key spending decisions.	Council uses impact analysis to gauge potential risk where there is a significant impact to local SMEs, prior to undertaking a procurement exercise.	Part - Achieved	SME considerations and risks to be built into procurement training
All councils to adopt the relevant government-led, streamlined and standardised pre-qualification questionnaires (PQQ), with further effort made to ensure simplified processes are in place for smaller procurements below EU thresholds, including specific approaches for the lowest value contracts.	<p>The council has adopted and mandated the use of the standard National Pre-Qualification Questionnaire.</p> <p>The use of pre-qualification questionnaires has been removed for procurements under £100k. Key criteria are sought at award stage rather than bid stage.</p>	Achieved	None
All councils in the UK to use the relevant national portal to advertise their procurement opportunities (Contracts Finder, Public Contracts Scotland, Sell2Wales, Esourcing NI).	<p>The council uses an electronic tender portal known as Supplier Contract Management System (SCMS) which openly advertises contract opportunities.</p> <p>The council has adopted the use of social media (Twitter) to advertise tender opportunities and is also a signed interoperability partner with the national Contracts Finder for OJEU tenders.</p>	Achieved	None

FSB recommendation	Position Statement	Status	Action
<p>Council procurement strategies to set out how they will ensure best practice is followed and how they will monitor that progress.</p>	<p>The council's procurement strategy is endorsed by Cabinet and CMT. Key themes are consolidated into actions for delivery of outcomes which are measured through a performance framework.</p> <p>The corporate procurement manual (Section 2/3) provides guidance on how to build procurement strategies that consider SMEs i.e. directly inviting SMEs under EU.</p>	<p>Achieved</p>	<p>Review in line with procurement manual training.</p>
<p>Local authorities to ensure their use of selection requirements is proportionate and based purely on the needs of the contract.</p>	<p>Procurement manual provides guidance to ensure that contract award and selection criteria is proportionate and relevant to the subject matter of the contract.</p> <p>For low value procurements lowest compliant quotation is used (under £100k).</p> <p>Where more complex and high in value the council uses Most Economically Advantageous Tender.</p> <p>The award criteria, scoring matrix and evaluation plan are fully disclosed to suppliers.</p>	<p>Achieved</p>	<p>None</p>

FSB recommendation	Position Statement	Status	Action
Councils to ensure they have initiatives to support local SMEs with the tender process and to develop the potential of their local small business supplier base.	The team currently provide SME events each year. The team also supports local meet the buyer events i.e. North Lincolnshire Business Network. To improve SME engagement it has developed a 'Buy 4 Northern Lincolnshire' web portal which is a collective between key public sector procurers in North and North East Lincolnshire. The aim is to consolidate support to the local economy through a single one-stop web portal.	Achieved	The team to support stronger communities team in developing a series of workshops on "how to" complete tender documents for SMEs and VCOs through Buy 4 Northern Lincolnshire.
Councils to provide detailed, specific and timely feedback to all businesses that tender unsuccessfully so they are better placed to bid next time.	The opportunity is given to all bidders to receive a full debrief at the award stage of the procurement process. For higher value tender processes the council will provide a notice detailing the characteristics of the successful bid in comparison to the unsuccessful bidders submission.	Achieved	Procurement team to provide procurement refresher training in November 2012
Councils to break down contracts into smaller lots wherever possible.	Where possible and where value for money can be demonstrated, the council has actively sought to package tenders into smaller lots to enable smaller businesses to bid. Correctly packaging contracts can enhance competition to drive better value for money. CPRs promote sourcing local SMEs for sub EU procurements.	Part achieved	Addressed through updated procurement manual and officer training
Councils to put in place and monitor specific payment policies for small business suppliers, ideally following the lead of national government pledges to pay within 10 days of receipt.	The council's payment policy promotes prompt payment where possible.	Part achieved	Ensure updated council T & C's reflect fair payment terms Maintain focus on prompt payment (KPI)

FSB recommendation	Position Statement	Status	Action
Councils to use spending power to ensure that prime contractors pass on the council's payments terms to their subcontracted suppliers.	Limited due to small number of key contracts but we consider if appropriate. Current council T&C's permit prompt payment where appropriate.	Part achieved	To be picked up in Construction Review
Government to support councils in following good practice, including by issuing clear guidance and taking action to ensure it is followed if necessary.	The council actively researches on central government guidance. It also has links to the Yorkshire and Humber Procurement Group which a member sits on the national Local Government Association procurement group.	Achieved	Update in procurement manual refresh

Appendix B – Model Authority Check-list

Model actions	Council meets good practice
Has an SME Procurement Policy with clear and identified links to wider corporate objectives	✓
Has in place a mature supplier database that breaks suppliers down by: <ul style="list-style-type: none"> • Number of employees (not just by SME but by micro, small and medium) Location (primary and secondary postcode) • Revenue or capital spend • Type of service/good delivered 	Part achieved through Spikes Data Observatory
Has a close working relationship between procurement and economic development, with economic development providing market intelligence on local suppliers and SMEs	Part achieved – improvements in place
Has a mechanism for regular monitoring and mapping of procurement spend and the outcomes achieved through that spend	Part achieved
Has an effective understanding of the barriers facing certain organisations in the procurement process and a menu of appropriate initiatives with which to respond	✓
Has clear advice and guidance available for SMEs on how to supply to the council	✓
Has a range of means of advertising and promoting contract opportunities according to the scale of the contract and the types of good and service on offer	✓
A clearly accessible dedicated procurement section of the council website	✓
Consistent use of online mechanisms for bidders to register their organisation's information and interest in contract opportunities	✓
Use of the relevant national portal in addition to any other methods to publicise opportunities	✓
Has effective cross-departmental relations and partnership working with local business forums and networks	✓
Has transparent mechanisms and a policy for the prompt payment of suppliers	X
Has standardised and simplified PQQs	✓
Has a means of engaging with SMEs from market testing through to contract award	✓
Provides a host of tender support activities, including training and workshops	✓
Actively promotes supplier engagement policies with core contractors	X
Provides training for procurement staff in economic, social and environmental benefits	✓
Provides timely and detailed feedback to unsuccessful bidders	✓
Has a clear and simplified process for undertaking procurements below the EU threshold	✓
Has put in place steps to ensure future procurements will comply with the relevant national government legislation and guidance	✓

Appendix C – NLC SME Action Plan

Action	By	Owner
Develop improved links with economic development team through Buy 4 Northern Lincolnshire	October 2012	Assistant Director Business Support
Build in SME engagement policies as part of Construction Review	June 2013	
Ensure updated procurement manual provides updated advice on SME issues.	September 2012	
Support Stronger Communities Team to develop a SME/VCO “how to bid” guidance as part of Buy 4 Northern Lincolnshire	December 2012	
Develop a social value in procurement toolkit	November 2012	
Ensure guidance is accommodated in revised council standard t & c’s	October 2012	
Deliver an updated procurement training programme to include SME issues	November 2012	
Maintain focus on prompt payment through monitoring KPI (BV08)	March 2013	