



<u>Committee and Date</u>
Council
22 November 2012

<u>Item</u>
9
<u>Public</u>

## **INCREASING THE LOCAL ECONOMIC LEVERAGE OF COUNCIL CONTRACTS**

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### **1. Summary**

One of the top priorities of the existing 3-year Shropshire Business Board Plan and the Council's economic strategy is to increase the percentage of Shropshire based companies submitting tenders for Council contracts. In the emerging new Shropshire Economic Growth Strategy there is strong support for a clear objective to increase the local economic leverage of all Council spend via contracts and to maximise the value of every £ spent in the Shropshire economy by the public and private sector.

As the recession shows little sign of abating and with more public spending cuts on the way it is even more important that the Council maximise the economic leverage of its local spend. In addition the importance of using procurement process to improve the economic, social and environmental wellbeing is now governed by legislation under "The Public Services (Social Value) Act 2012". It is therefore the right time to amend our contract rules and tender documents to reflect the new Act and maximise economic leverage.

This report recommends changes to the Council's contract rules which have been agreed with Legal and Audit services to increase the opportunities for local companies to compete for our business. It also recommends new clauses and criteria in tender and contract documentation to make sure the environmental and social and in particular the local economic impact are key criteria for assessing, scoring and awarding council contracts. Councils right across the country are finding ways of doing this and with these suggested changes Shropshire Council will be at the cutting edge.

Every year at the annual Shropshire Business Summit when up to 160 businesses meet with Council Leaders; one of the key indicators the Council produces is what % of our spend is contracted locally. For 2012 this is now 62% which has increased from 61% in 2011.

At its meeting on 17<sup>th</sup> October 2012, Cabinet agreed to support the proposal to amend the Council's Contract Procedure Rules, subject to approval by Council.

### **2. Recommendation**

That the proposed amendment to the Contract Procedure Rules be approved.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

The changes proposed have been examined in detail by audit, finance and legal and risk assessed. What has been achieved is a balanced approach in that we are reflecting what we are allowed to do under procurement regulations but using the new legislation to maximum effect. It is important to balance the risks due to wanting to address the vulnerable state of the local economy and the primacy of the Council's priority of "Economic Growth and Prosperity".

There are no Human Rights Act implications or environmental issues arising directly from this report.

### 4. Financial Implications

Financial implications have been considered as regards the changes to contract rules and are considered to be minimal when compared to the economic, environmental and social benefits.

### 5. Background to the new legislation

The Public Services (Social Value) Act 2012 formally requires all public bodies to Consider "economic, social and environmental wellbeing" of their area when undertaking procurement processes. It became law in March 2012. Guidance on the legislation is expected this Autumn and we expect the Act to come into operation from the beginning of next year. Already there are lots of good examples across the country of the way in which councils use contracts to encourage local employment or use of local suppliers. Although it would be fair to say that no other Council has put together such a comprehensive set of proposed changes.

### 6. Proposed amendment to Contract Rules

The following amendments have been agreed with Legal, finance and Audit sections:

- For Minor Contracts with a value below £50,000 you must obtain at least one quotation from a provider based in Shropshire unless you can prove there is no such provider available for the particular requirement you have. You must use reasonable endeavours to establish if such providers exist within Shropshire and must if the value is above £10,000 advertise your requirement on the current tendering opportunities pages of the Council's website by contacting the Procurement team. Where the value is below £10,000 you are still encouraged to advertise these requirements in the same manner.
- For Ordinary Contracts with a value between £50,000 and £140,000 you must utilise an open (1 stage Tender Process) without pre-qualification, unless you have taken advice from the Procurement team and it is agreed that a Two Stage process is appropriate for the particular requirement you have.

## **7. Social Value in Procurement – Suggested Shropshire Council approach to adhere to the obligation to consider Social Value benefits in our Procurement.**

In order to meet Council priorities and obligations under the above legislation we intend trialling and if successful rolling out the use of the following wording, questions, clauses and criteria within our tender and contract documentation.

### **Statement of Intention**

#### **Proposal: That the following statement of intent is included in the Invitation to Tender Documents (Letter / Instructions for Tendering)**

One of the core objectives of Shropshire Council is to deliver economic, environmental and social benefits to the county and this is further emphasised by the Council's top priority being "Economic Growth and Priority". The Council is also seeking to meet its obligations under The Public Services (Social Value) Act 2012 to consider how its procurement activity can secure improvement in the economic, social and environmental well-being of Shropshire.

The Council therefore uses economic, environmental and social clauses within its commissioning and procurement processes that ensures all tenders are evaluated on a quality/ price /points scoring basis and contracts are awarded on the basis of the "most economically advantageous" tender overall.

The Council therefore also encourages tenderers to consider the economic, social and environmental impact their offer can have within Shropshire and also how they manage their supply chains to ensure that every effort is made to maximise economic and positive social impacts and minimise adverse environmental impacts.

### **Questions for use in Invitation to Tender**

**Proposal: That the Council should utilise all or some of the following questions as appropriate (i.e. where they are relevant to the undertaking of the contract) or similar questions within its Invitations to Tender in order to assess and score the economic, environmental and social impact of a tenderer's offer.**

#### **Suggested possible Questions:**

- Can you describe how through your operation of this contract you would be supporting the economic, environmental and social objectives of Shropshire Council to meet its key priority of "Economic growth and prosperity" for Shropshire?
- How will you manage this contract and also your supply chains in providing the service to Shropshire Council to ensure that every effort is made to minimise adverse environmental impacts and maximise positive economic and social impacts and provide proof?

- Can you identify how through your operation of this contract you would aid workforce and skill base development in Shropshire e.g. the employment of apprentices and workforce training?
- How will this contract contribute to Shropshire Councils Carbon Reduction Strategy?

**Award Criteria to be used in Tender evaluation**

**Proposal: That the Council evaluates the responses to the questions or similar questions set out in 3 above when evaluating a tender and includes the economic, environmental and social impact on Shropshire as part of its overall Award Criteria.**

It is critical when setting out any such award criteria relating to economic, environmental and social impact that it is relevant and directly links to the subject matter of the Contract to be awarded.

**Specific use of Contract terms**

**Proposal: That the Council consider for relevant projects (i.e. when it is relevant and proportionate to do so) including contractual obligations on behalf of contractors to meet targets around recruitment and training opportunities.**

A community benefits clause for targeted recruitment and training would therefore be included in a contract. With this an obligation is placed on the principal contractor and their subsequent contractors to actively participate in the economic and social regeneration of the locality and the surrounding neighbourhood and take into consideration disadvantaged groups living within that regeneration area and help identify and create opportunities in training and employment wherever possible and setting targets (e.g. numbers of Apprentice opportunities per £ of spend , employment opportunities, sub-contracting etc.) to be met by the contractor. This would also include equality and transparency of procurement for labour, goods and services throughout the County, ensuring supply chain opportunities and vacancies are advertised on the Council's, Job Centre Plus and other websites and through other local means.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Public Services (Social Value) Act 2012  
Shaping Our Future Shropshire Business Board Business Plan 2009-2012  
Shropshire Economic Growth Strategy 2013-2026 Consultation Draft

**Cabinet Member (Portfolio Holder)**  
Councillor Mike Owen

**Local Members** All

**Appendices** None