
NORTH AYRSHIRE COUNCIL

17 March 2020

Cabinet Report

Title: Delivering Community Wealth Building through Procurement

Purpose: To provide an update on i) how the Council's external expenditure can be used to help deliver Community Wealth Building aspirations ii) proposed changes to Standing Orders relating to Contracts.

Recommendation: Cabinet i) note the progress to date ii) agree to recommend the changes in Standing Orders relating to Contracts to Council iii) agree to the future reporting proposal as per 2.26

1. Executive Summary

- 1.1 The Council Plan highlights the ambition to develop and implement a Community Wealth Building (CWB) Strategy. The strategy will establish North Ayrshire as Scotland's first Community Wealth Building Council.
- 1.2 Approximately £41.9m (20%) of Procurement expenditure is spent with local companies. A target to increase this to 26% by 2024 has been agreed.
- 1.3 Achieving the new target, while remaining compliant with procurement legislation, will be challenging and requires a diverse local business base that is upskilled in bidding for and winning public contracts.
- 1.4 The Contract Standing Orders (CSOs) outline the processes to be followed for the procurement of all Goods, Service and Works across both the Council and the Health and Social Care Partnership. An annual review of the CSOs has highlighted several proposed changes to ensure efficient procurement processes that continue to comply with procurement legislation and reflect procurement best practice.

2. Background

- 2.1 One of the Council Plan priorities is "North Ayrshire has an inclusive, growing and enterprising economy". The Plan further states "We will develop and implement a Community Wealth Building Strategy.

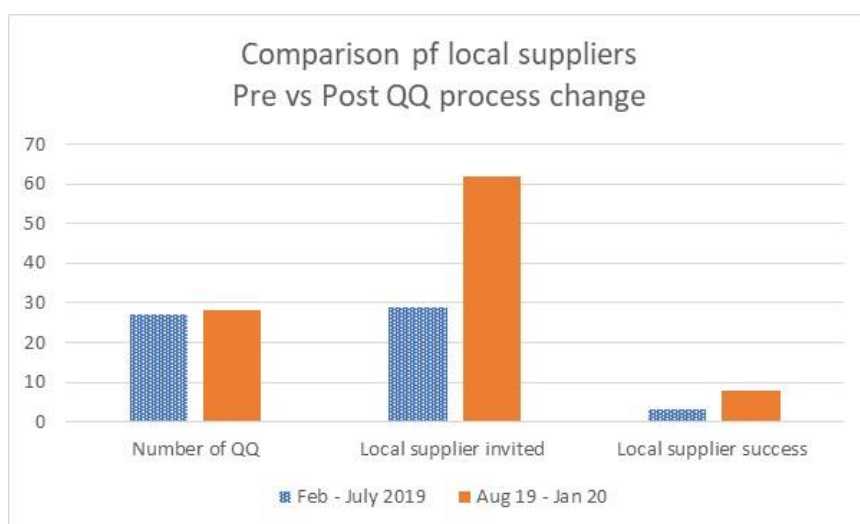
- 2.2 Community Wealth Building (CWB) is an alternative approach to traditional economic development, which seeks to develop resilient, inclusive local economies, with more local employment and a larger and more diverse business base. Community Wealth Building is an approach which seeks to use the economic levers available to local authorities and other 'anchor' institutions such as the NHS, further and higher education institutions, and larger private sector organisations, to support their local economies. At the heart of the Community Wealth Building approach are five pillars for harnessing existing resources to enable local economies to grow and develop: Procurement; Employment; Land and Assets; Financial Power; and Democratic Ownership of the Local Economy.
- 2.3 The Centre for Local Economic Strategies (CLES) state that "Progressive procurement develops dense local supply chains of local enterprises, SMEs, employee owned businesses, social enterprises, cooperatives and other forms of community owned enterprise".
- 2.4 The CLES diagnostic report identified 6 procurement related recommendations

Pillar	CLES Recommendation
Procurement	1. Develop the corporate culture and status of procurement as a key feature of community wealth building.
Procurement	2. Include community wealth building priorities as part of wider review of community benefits as part of the procurement scoring process.
Procurement	3. Refine procurement analysis through a survey of suppliers and a market supply analysis
Procurement	4. Explore cash or 'in kind' equivalent system for suppliers as an alternative to embedding community benefits within contracts.
Procurement	5. Work with anchors in the CPP to explore procurement spend, with potentially joint procurement activities.
Procurement	6. Assess whether there is the capacity for a change of approach towards waveplanning that enables deeper market and locality engagement before commissioning.

- 2.5 A CWB Commission has been established including members of the Community Planning Partnership. A CWB strategy is currently being developed and will be launched in Spring 2020.
- 2.6 North Ayrshire Council spends approximately £200m each year with external providers on supplies, services and works. Approximately 20% of this spend is with local businesses. A target has been set to increase this to 26% by 2024.
- 2.7 The desire to spend more money locally needs to be cognisant that Public Procurement is subject to numerous pieces of legislation dependant on the value and nature of goods, services or works being procured.
- 2.8 A CWB report to Cabinet in February 2020 provided an update on the £3m Ayrshire Growth Deal (AGD) CWB fund and also noted that beyond the CWB project, it is an agreed principle that all AGD work will be progressed through a CWB lens to maximise the impact of the Deal. Additionally, the developing Regional Economic Strategy will incorporate CWB as a strategic priority.

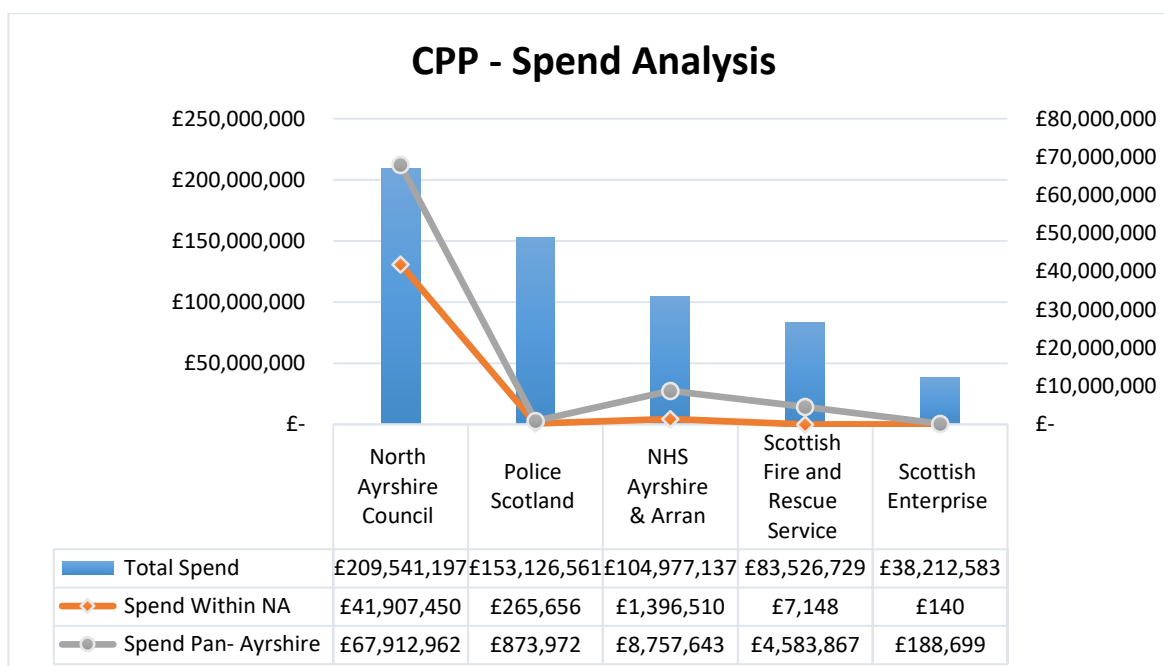
CWB – Procurement progress to date

- 2.9 A new Quick Quote (QQ) process was approved by the Procurement Board in August last year and has now been rolled out across the Council. This is an invitation only procurement exercise for contracts £10K -£50K Supplies and Service and £10K - £100K Works. The key change is, if 5 local suppliers can be identified and agree to bid then there will not be a requirement to extend this to non-local suppliers, thus increasing the opportunity for local companies being successful in winning business. The graph below shows a comparison of 6 months analysis from the old QQ process and the first 6 months of the new process being rolled out.



The above graph shows that early indications are that the new process has resulted in more local suppliers being successful. The value of contracts awarded to local suppliers has increased from £88.8k (Feb -July 19) to £248.5k (Aug 19 -Jan20).

- 2.10 The Community Wealth Building Officers Working Group designed a CWB workshop for the Council's Staff leadership Conference in November 2019. There was a presentation on the Procurement Pillar and senior leaders were asked what they could do to support the new QQ process and the wider CWB aspirations, a review of feedback is underway.
- 2.11 The CWB Commission agreed to explore procurement opportunities to support local businesses. In November 2019 a procurement workshop was held with the Community Planning Partners Heads of Procurement. The table below shows spend data that was compiled for all partners, except for the College, by value and whether the money was spent with North Ayrshire or the wider Ayrshire suppliers.



While the Council spends approx. 20% of its procurement expenditure locally, the data above shows that the other partners collectively spent £379m of which only 0.41% is spent within North Ayrshire. Some of the perceived factors resulting in the low value spend within North Ayrshire are

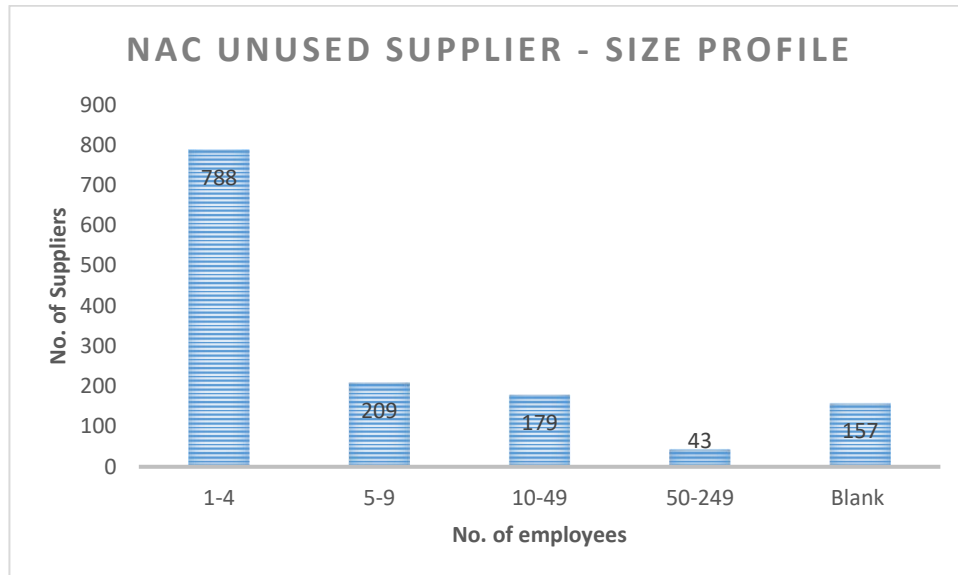
- National Contracts not influenceable at a local level,
- Lack of business offering what the CPP require
- No resource to support the QQ process introduced by NAC
- No cross-sector collaboration

As an outcome of the workshop it was agreed that a CPP short-life working group should be established to further explore possible procurement opportunities for local businesses and take forward the actions agreed at the workshop. An increase of 1% spent within North Ayrshire by all CPP partners could result in over £5m more to the local economy.

2.12 On an annual basis, the Scottish Government pay for a significant number of public sector bodies (incl NAC) to have their spend data analysed by the data analytic company Spikes Cavell. This analysis then allows public bodies to investigate how much they spend, on what category of goods/ services, and the size and locality of the suppliers used.

2.13 To further support CWB, the 3 Ayrshire Councils now have individual access to further data from Spikes Cavell, called Grow Local. Each council has a dataset that provides information on all businesses within their own council area. The NAC Procurement team have started to analyse and validate the NAC dataset, as well as working to combine and analyse the three individual Ayrshire Grow Local datasets. The outcome will be a list of all Pan Ayrshire businesses that can be used to identify potential new suppliers, as well as categories of spend where there are currently no local/Pan Ayrshire businesses.

- 2.14 Early analysis of the 1376 North Ayrshire businesses that are currently not used by the Council show a significant number are micro or very small businesses, also many are offering goods or services that the Council does not use e.g. 80 hairdressers/ beauty and tanning salons. Analysis will continue until we know how many of the unused businesses may be of interest in the future.



- 2.15 In order for suppliers to bid for Public Sector contracts they must be registered on Public Contract Scotland (PCS), currently there are only 583 unique North Ayrshire suppliers registered.
- 2.16 The commitment to CWB will bring additional resource to support business in developing procurement capability. A framework of specialist support has recently been put in place that has a number of specific procurement specialists to support business.
- 2.17 As part of the recent investment in CWB, a new position of Business Development Specialist will be recruited to work between the Business and Procurement Teams. There will also be a proactive engagement model via new CWB Locality Officers to increase the numbers on PCS and also make sure those currently on PCS are upskilled where necessary. This will help support several of the CLES recommendations included in the procurement pillar. Further to this, a Community Benefits officer will be employed to explore how we maximise community benefits.

Review of Contract Standing orders (CSO).

- 2.18 The CSO document is reviewed each year to ensure it continues to comply with procurement legislation and reflect procurement best practice. The recent review has highlighted three areas of proposed change to the current processes, namely Cabinet Approval, Works purchases threshold and Conflict of Interest. The most significant change is the role of Cabinet in the Contract Award process.

- 2.19 Currently contracts above £1m go to Cabinet for approval to award. However, Cabinet can only refuse to agree to award a contract if there is evidence that a robust Procurement Process has not been carried out. To date Cabinet have approved all the contract proposed by officers. Seeking Cabinet approval adds 6-8 weeks to an already lengthy legislative procurement process and prevents suppliers from knowing the outcome of their tenders in a timely manner.
- 2.20 Procurement legislation states that as soon as possible after reaching a decision concerning a contract, each tenderer should be informed at the same time of the outcome. However, on some occasions the Press or Suppliers have read the outcome of the procurement exercise in the pre-Cabinet papers before the decision to approve has been made and the “call in” period or standstill period has elapsed. This has caused upset to both unsuccessful Suppliers and in some cases Service Users, this could potentially lead to a legal challenge.
- 2.21 On the basis of the above it is therefore recommended that Cabinet is no longer requested to approve contract awards
- 2.22 The current CSOs state that for expenditure between £1000 and £5000, for which there is no contract in place, 3 verbal quotes are required. In most cases this process offers both control and value for money. However, there are rare instances where the need to seek 3 quotes has caused on-site delays when an unexpected requirement is identified. It is therefore proposed, for Works contracts only, that in order to prevent an on-site delay, only 1 quote is required for urgent remedial work up to a value of £5000.
- 2.23 In April 2019 Audit Scotland published an audit report “Audit Review of the Investigation of Tendering and Contracting Practices in Roads and Greenspace Services” within West Dunbartonshire Council. An issue with employee Code of Conduct, regarding Conflict of Interest within the Procurement Process was highlighted in the report. After reviewing the Audit Scotland report, it is proposed that the NAC CSOs be amended to expand on and formalise the Conflict of Interest approach across the Council regarding Procurement activity.

Proposed future reporting

- 2.24 Scottish Procurement legislation dictates that all public bodies must prepare an annual report detailing all Procurement activity over £50,000. The report is submitted to Scottish Ministers and published on the NAC website.
- 2.25 In the last year, 12 requests for approval to award contract have been taken to Cabinet. In the same timeframe a further 40 tenders, 47 Mini- Competitions and 75 Quick Quotes, not requiring Cabinet approval, were awarded by Procurement.
- 2.26 Instead of taking individual requests for contract awards (>£1m) to Cabinet, it is proposed that a detailed report of all Procurement activity and the impact that has on Community Wealth building is taken to Cabinet on an annual basis. Throughout the year however, information on tender awards will continue to be made available via Connects.

3. Proposals

- 3.1 Cabinet note the procurement progress towards Community Wealth Building

- 3.2 Cabinet agree to recommend the changes in Standing Orders relating to Contracts to Council.
- 3.3 Cabinet agree to accept a detailed annual procurement report which is aligned to the CWB strategy.

4. Implications/Socio-economic Duty

Financial

- 4.1 None

Human Resources

- 4.2 None

Legal

- 4.3 Removing procurement reports from the entering the public domain prior to contract award will ensure compliance with Procurement legislation and minimise the risk of challenge.

Equality/Socio-economic

- 4.4 None

Environmental and Sustainability

- 4.5 None

Key Priorities

- 4.6 This supports the Council's key priority - North Ayrshire has an inclusive, growing and enterprising economy.

Community Wealth Building

- 4.7 Procurement – a comprehensive report will be produced annually to show the supplier and spend profile with Local & Pan Ayrshire Suppliers.

Employment – None

Land and Assets – None

Financial Power – None

Democratic Ownership – Support to the local business base will include supplier development support to plural ownership models.

5. Consultation

5.1 None

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For further information please contact **Anne Lyndon, Senior Manager (Corporate Procurement)**, on **01294 324097**.

Background Papers

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