

**OVERVIEW & SCRUTINY PANEL
(SERVICE SUPPORT)**

9th JANUARY 2007

**REVIEW OF LOCAL PROCUREMENT
(Report of the Working Group appointed by the Panel)**

1. INTRODUCTION

- 1.1 At their meeting held on 11th July 2006, the Overview and Scrutiny Panel (Service Support) considered the question of local procurement by the Council and the ways in which this could potentially promote the local economy within Huntingdonshire. The issue had been raised initially by the Chairman of the Service Delivery Scrutiny Panel following an approach to him by the Huntingdon Business Network who had suggested that the Council should do more to encourage and facilitate business opportunities for local suppliers to tender for Council supplies and services. A report on the subject by the Council's Economic Development Manager and Procurement Manager was considered at a subsequent Panel meeting which was attended by a representative of Huntingdonshire Business Network. Having decided to investigate the matter further the Panel appointed Councillors D B Dew, P J Downes and R J West to form a working group for this purpose.

2. METHODOLOGY

- 2.1 The working group has met on three occasions, and has received information from the Procurement Manager relating to:-

- Goods and services currently procured by the Council;
- Goods and services procured locally by the Council; and
- The percentage spend on goods and service by area.

This is attached as Appendix A. These statistics mask the origin of the goods purchased and do not show whether they were manufactured locally or simply sourced by a local supplier. A more detailed analysis would be difficult to achieve.

- 2.2 Information was obtained from similar reviews carried out by other authorities, the reports on which have either been published on the Centre for Public Scrutiny's website or were provided by the authorities in question. Of those available the Working Group considered those undertaken by Derbyshire County Council, Wolverhampton City Council and the London Borough of Waltham Forest.

- 2.3 It was clear that the reviews undertaken by those authorities were extensive, involving

- Gathering of evidence from key stakeholders;
- Consultation with business interests, local Development Agency, the local Centre of Excellence, local authorities and various other bodies;
- Analyses of spend.

Lengthy reports were produced with a series of recommendations relating to effective engagement and raising awareness with suppliers,

packaging of work, amendments to contract documentation, development of framework contracts etc.

- 2.4 The Working Group's attention was also drawn to a booklet jointly produced by the Office of Government Commerce and the Small Business Service designed to raise awareness of the value for money that small firms can offer, to explore the issues that can make it difficult for them to win public sector business and to set out ideas as to how local authorities can help.
- 2.5 The Working Group were aware from the outset from the report submitted by the Economic Development Manager and the Procurement Manager that the Council's procurement process is constrained by the European procurement regulations and that it is not permissible to discriminate in favour of local suppliers when purchasing supplies and services.

3. DELIBERATIONS

- 3.1 The Working Group concluded that the level of the Council's expenditure and its profile were not sufficiently large to justify carrying out a local study in depth which would have been unlikely to result in recommendations which differed from the conclusions reached by the other authorities which had already undertaken this work. The results would not have justified the considerable resources that would have had to have been committed by the Panel to complete a similar exercise.
- 3.2 Moreover, the Working Group felt that the opportunities for increasing Council spend in equipment and materials is very limited, although there may be some scope for improvement in the areas already well represented such as construction.
- 3.3 Nevertheless the Working Group were pleased to note that action was already being taken by the Council in a number of areas, which hopefully will improve the opportunities for local suppliers to quote and tender for Council expenditure. These are referred to below:

1. Publication of a Contracts Register

The Council has recently introduced a system to post notices of forthcoming Council requirements on the website:-

<http://www.huntsdc.gov.uk/Business/Business+opportunities/Latest+opportunities>

The Contracts Register will apply to all Council purchases over £5,000 and officers will be made aware of the need to keep the register up to date. The Register will also contain details of those contracts awarded by the Council.

The Working Group have welcomed the intention to remind local business organisations of the location of the Register.

2. Lowering the barriers to participation

The Working Group also welcomed the use of the following initiatives:-

- i. The provision of a clear explanation of procurement processes to all potential suppliers in all procurement exercises
- ii. The re-drafting of procurement documentation where necessary to create simpler documentation written in plain English;
- iii. The development of joint procurement documentation with other authorities;
- iv. A continuation of the training events and seminars for local businesses to improve understanding of public procurement procedures; and
- v. The need to assess all purchases for risk at the beginning of the process such that the selection of the procurement route is proportionate to value and risk. Value thresholds should also be increased.

3. Lowering the cost of doing business

It is intended that documentation and information relating to the Council's procurement should be provided via the internet as standard practice. The Council is already exploring e-procurement as an electronic means for receiving orders, sending acknowledgements and invoices and for payments to be made by electronic transfers.

4. Training

In order to ensure that the above procedures are complied with relevant Council officers will be suitably trained in procurement processes.

5. Expectation Management

Local businesses should be informed of the Council's expenditure profile to avoid unrealistic expectations and this should be made clear in future business events hosted or attended by the Council.

4. CONCLUSION

- 4.1** Having considered the information gathered, the Working Group also acknowledged the significant pressure for the Council to achieve savings to meet the requirements of the Financial Strategy. The increasing emphasis on partnership working also mitigates against the opportunities for local purchasing. The Group expressed their satisfaction with the actions already being undertaken by the Council to seek to raise awareness of procurement opportunities and make it easier for local business to compete for Council supplies and services. They therefore

RECOMMEND

- I. that the Panel be invited to endorse the outcome of their deliberations; and

- II. that a representative of Huntingdonshire Business Network be invited to attend a future Panel meeting to advise the Forum of the conclusions reached.

BACKGROUND DOCUMENTS

Report to and Minutes of Overview & Scrutiny Panel (Service Support on 11th July 2006.

Briefing note prepared by the Procurement Manager contained as Appendix

Statistics provided by Procurement Manager contained as Appendix

Procurement and the Local Economy – Report by Overview & Scrutiny in Wolverhampton

Smaller supplier... better value? by Office of Government Commerce (OGC) and the Small Business Service

Review of Procurement (Small Businesses) – report of the Chair of the Strategy & Budget / Regeneration/ External Affairs Improvement and Scrutiny Committee

Feedback of the Procurement Strategy Scrutiny Project Panel – London Borough of Waltham Forest

CONTACT OFFICER –

R Reeves, Head of Administration ☎ 01480 388003

APPENDIX A

Local Procurement

- All location data has been derived from postcodes. The data does not distinguish between local firms and regional or national firms with local offices.

What do we currently procure ?

- The Council spent £27m in 2005/06. Construction and buildings maintenance related spend was the biggest category at approximately £13.5M
- The Account name is the best descriptor available to show category of spend. The list below (table 1) shows the top 30 spend types by account name.

	Account Name	HDC Total Spend	Hunts District Spend	Hunts as % of total spend
1	Building Construction	10,132,715	667,040	6.6
2	Consultants Other	1,493,819	40,309	2.7
3	Vehicles Purchased	1,241,643	19	0.0
4	Mandatory Grants	1,157,827	459,743	39.7
5	Sitework	1,024,450	295,761	28.9
6	Software	785,026	4,574	0.6
7	General Building Maintenance	608,200	170,864	28.1
8	Equipment Purchases	569,124	50,752	8.9
9	Stock Purchases	495,919	1,416	0.3
10	Hired Staff	442,174	85,275	19.3
11	Subcontractors	367,658	8,711	2.4
12	Recycling Collections	342,546	103	0.0
13	Equipment Maintenance	316,249	20,075	6.3
14	Electricity	295,316	240	0.1
15	Postage	199,767	2,727	1.4
16	Discretionary Property Charges	179,776	137,399	76.4
17	Other I T Hardware	174,153	17,480	10.0
18	Service Charges	168,874	1,706	1.0
19	Advertising/Promoting Services	164,729	30,437	18.5
20	Insurance Employers Liability	159,314	44	0.0
21	Playground Equipment	158,688	15,658	9.9
22	Materials	146,423	23,345	15.9
23	Telephone Charges	131,215	90	0.1
24	Printing (External)	129,121	10,183	7.9
25	Bar Provisions	120,742	1,255	1.0
26	Legal Fees And Consultancy	114,013	959	0.8
27	Training - Other	112,810	17,039	15.1
28	Vehicle Maintenance	110,945	30,428	27.4
29	Network Hardware	108,532	3,886	3.6
30	Vehicle Insurance	106,954	1,490	1.4

- Those categories showing local spend are construction and building maintenance and services provided to the Council.
- The other large items (vehicles, IT hardware, software, utilities, postage, equipment, telephony etc) are all provided by regional or national organisations.

What do we procure locally ?

- Table (2) below shows spend within the District sorted by the largest expenditure (£) first:

	Account Name	Hunts District Spend	HDC Total Spend	Hunts as % of total spend
1	Building Construction	667,040	10,132,715	6.6
2	Mandatory Grants	459,743	1,157,827	39.7
3	Sitework	295,761	1,024,450	28.9
4	General Building Maintenance	170,864	608,200	28.1
5	Discretionary Property Charges	137,399	179,776	76.4
6	Hired Staff	85,275	442,174	19.3
7	Equipment Purchases	50,752	569,124	8.9
8	Building Cleaning Internal	41,670	92,671	45.0
9	Consultants Other	40,309	1,493,819	2.7
10	Tyres	30,506	44,437	68.6
11	Advertising/Promoting Services	30,437	164,729	18.5
12	Vehicle Maintenance	30,428	110,945	27.4
13	Catering	28,768	29,966	96.0
14	Rent	26,751	58,418	45.8
15	Home Improvement Agency Fees	26,546	64,266	41.3
16	Licences	23,802	58,760	40.5
17	Materials	23,345	146,423	15.9
18	Equipment Maintenance	20,075	316,249	6.3
19	Drains & Sewers	19,798	49,493	40.0
20	Other I T Hardware	17,480	174,153	10.0
21	Training - Other	17,039	112,810	15.1
22	Plant & Equipment Maintenance	15,957	79,843	20.0
23	Playground Equipment	15,658	158,688	9.9
24	Health & Safety	15,216	18,675	81.5
25	Diesel	13,523	37,340	36.2
26	Furniture	13,476	56,552	23.8
27	Professional Fees	13,038	21,611	60.3
28	Instructors/Tutors	12,406	28,463	43.6
29	Hire Of Rooms	11,692	13,133	89.0
30	Cleaning Materials	11,385	41,832	27.2

Table 2

The list has been sorted by the amount of total spend largest first.

The 3 columns show:

- The spend within the Huntingdonshire District. (£).
- The total Council spend (£).
- The spend within the Huntingdonshire District as a percentage of the total Council spend.

- Broadly the local spend mirrors the Council's overall spend with construction and building maintenance being the largest category.
- The spend in some categories showing as local is predominately regional or national: eg: hired staff, tyres, equipment purchases.
- Opportunities for increasing local spend in equipment and materials is very poor. There may be limited opportunity to improve in the areas already well represented: eg: construction and services.

PERCENTAGE SPEND ON GOODS AND SERVICES BY AREA

Year	2005
Hunts	2,638
All other PE	2,782
CB	3,270
All other	19,098

Values are £ ,000.
Year is 2005/2006

