

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Executive Director of Corporate Services

Corporate & Efficient Governance Committee – 25 November 2009

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**Subject: Local Procurement Policy**

### **1. Purpose**

- 1.1** This report advises Members of a Local Procurement Policy (attached) that has been produced in response to the “Improving Council” Action Plan and Scottish Government guidance.

### **2. Background**

- 2.1** The Council Administration’s revenue and budget proposals 2009/10 and 2010/11(An Improving Council) identifies the important role that Small and Medium Enterprises (SMEs) and Social Economy enterprises play in sustaining the local economy and highlights the need for the Council to work together with a newly developed local business forum to develop an integrated action plan.
- 2.2** In addition, a report entitled “Promoting the Involvement of SMEs in Public Contracts – Six Simple Steps” was considered by Council on 27 May 2009. This outlined steps identified by John Swinney to remove barriers to participation in public contracts by small firms, the self-employed and the third sector.
- 2.3** In addition to the above measures, the Council has, along with like minded authorities and agencies in the Clyde Waterfront area been investigating the possible contribution procurement policies could make to community benefits through Linking Opportunity and Need (LOAN).

### **3. Main Issues**

- 3.1** The purpose of the Local Procurement Policy is:
- To provide guidance to local SMEs on procurement arrangements in West Dunbartonshire Council and in the wider Scottish public sector;
  - To identify ways of maximising opportunities for local SMEs to access public sector contracts in Scotland and;
  - To set out guiding principles for staff that will help to promote local SME involvement in public procurement processes.
- 3.2** The policy includes information on Council expenditure in the local area, purchasing, payment and tendering processes and additional information on collaborative contracts and Scotland wide initiatives to promote the involvement of SMEs in public procurement.

**3.3** There are a number of actions arising from the policy i.e.

- Section 4.2 Develop a network of procurement contacts within the Council which will be publicised through the local business forum.
- Section 5.6 Review standard tender documentation and develop accompanying guidance for businesses.
- Section 7.2 Consider highlighting local companies on the Health and Safety list so that they are given the opportunity to quote / tender for work on a regular basis.
- Section 9.4.2 Sign up to the Suppliers Charter to demonstrate commitment to developing better links with the local business community
- Section 9.5.2 Consider introducing standard pre-qualification questionnaire as part of tendering / pre qualification procedures
- Section 9.7.1.6 Continue to monitor spend with local SMEs

**3.4** Progression of these actions will be co-ordinated by the Corporate Procurement Unit.

**3.5** The initiative in the Clyde Waterfront area referred to in paragraph 2.3 above, is at an early stage of development, but shows considerable promise across sectors and boundaries for delivering realistic and tangible benefits within the communities where development is ongoing. It is anticipated that any future developments in this sphere would be accommodated within the Local Procurement Policy.

#### **4. Personnel Issues**

**4.1** There are no Personnel issues associated with this report.

#### **5. Financial Implications**

**5.1** There are no financial implications associated with this report.

#### **6. Risk Analysis**

**6.1** Maximising supply and contract opportunities for SMEs is part of the Council's wider corporate social responsibilities to the development of the local economy. If we fail to promote the involvement of SMEs in public contracts there is a risk that these responsibilities will not be fully met.

## **7. Conclusions and Officers' Recommendations**

- 7.1** There is a need to assist the local business community in maximising contracting opportunities with Council and the wider public sector. The Local Procurement Policy identifies some initial actions and provides a basis for further work in this area.
- 7.2** Council is asked to approve the attached Local Procurement policy and the corresponding actions.

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**Joyce White**  
**Executive Director of Corporate Services**  
**Date: 11 November 2009**

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**Appendices:** West Dunbartonshire Council – Local Procurement Policy

**Background Papers:** An Improving Council – Revenue Budget Proposals  
2009/2010 And 2101/2011

Promoting the Involvement of SMEs in Public Contracts –  
Item 13 – Council Meeting – 27<sup>th</sup> May 2009

**Wards Affected:** All



# West Dunbartonshire Council

## Local Procurement Policy

## **1. Introduction**

- 1.1** The Council Administration's Revenue and Budget proposals 2009/10 & 2010/11 (An Improving Council) identifies the important role that Small and Medium Enterprises (SMEs) and social economy enterprises play in sustaining the local economy and highlights the need for the Council to work together with a newly developed local business forum to develop an integrated action plan.
- 1.2** In addition, the Scottish Government has identified economic recovery as a key priority and has identified that access to public sector procurement opportunities can play a key part in supporting SMEs' longer term sustainable growth. To demonstrate its commitment, John Swinney, the Cabinet Secretary for Finance and Sustainable Growth in the Scottish Government has asked public bodies to take a "Six Step" approach to ensure SMEs have fair access to public sector contracts in Scotland. This is discussed in more detail at Section 5.6 of this policy.

## **2. Purpose of this Policy**

- 2.1** The purpose of this policy is:
- To provide guidance to local SMEs on procurement arrangements in West Dunbartonshire Council and in the wider Scottish public sector;
  - To identify ways of maximising opportunities for local SMEs to access public sector contracts in Scotland and;
  - To set out guiding principles for staff that will help to promote local SME involvement in public procurement processes.

## **3. Procurement in Context**

- 3.1** West Dunbartonshire Council spends around £73 million each year buying in goods, services and works from third party suppliers.
- 3.2** The distribution of this spend across the various supply categories, together with the total number of invoices and total number of suppliers is shown at Appendix 1. Also shown at Appendix 1 is an analysis of spend in the immediate postcode areas and a percentage breakdown of these local suppliers by employee numbers and annual revenue.
- 3.3** This analysis shows that the Council paid nearly £15 million in 2007/08 to suppliers based in the local area. There may also have been additional payments made to Head offices with branches in the area however it is not possible to measure this. It is also interesting to note that nearly 80% of the local suppliers the Council uses have less than 50 employees.

#### **4. How purchasing is carried out in WDC**

- 4.1** Purchasing in WDC is carried out on a largely de-centralised basis within the four Executive Directorates – Educational Services, Social Work & Health, Housing, Environmental & Economic Development and Corporate Services. There is a network of officers with authority to procure on behalf of the Council, organised within departmental hierarchical structures. In addition, there is a small team of three Corporate Procurement officers who provide advice and guidance on procurement best practice to Council staff and act as an interface with the business community.
- 4.2** It is acknowledged that the structure of procurement at departmental level is complex and it can be difficult for SMEs to identify where purchasing decisions are made within the Council so that they can promote their goods and services. The Corporate Procurement Unit will develop a network of procurement contacts within the Council which will be publicised through the local business forum.
- 4.3** Corporate Procurement provides information to staff about contracts that are set up for areas of high aggregated spend and all staff are expected to comply with these contracts. However, there can also be smaller ad hoc requirements where no contracts exist and where arrangements for purchasing are made at departmental level. This is clearly an area where opportunities could be available for local SMEs to do business with the Council.
- 4.4** Purchasing decisions should be made on the basis of best value to the Council i.e. the optimum balance of cost / quality and purchasers are always encouraged to adopt a whole life cost approach when evaluating alternatives.

#### **5. Tendering**

- 5.1** Under Council Standing Orders, any procurement with an aggregated value of over **£30,000** must be formally tendered. Tenders for **goods and services** can be either open or restricted and are advertised on an ad hoc basis in the press and on the Public Contracts Scotland portal.  
<http://www.publiccontractsscotland.gov.uk/>
- 5.2** Tenders for any type of **construction work** over this threshold are restricted to suppliers who have been vetted to join the Council's pre-approved Health and Safety list. Further information on this list is given at paragraphs 7.1 to 7.3 below.
- 5.3 EU Tendering Thresholds**
- 5.3.1** In accordance with the EU Procurement rules which are mandatory for public sector bodies, most contracts with values above the European thresholds (currently above **£139,893** for goods and services and **£3,497,313** for works) must be advertised in the Official Journal of the European Union and are open to any suppliers within the countries of the EU. In addition, there are strict rules that govern the advertising, evaluation and contract award procedures.

**5.3.2** Selection and award criteria have to be agreed before the tender is advertised and cannot be changed during the tender evaluation process. Competition rules mean that Councils can not give extra weighting to locally based companies during the tender evaluation process unless the nature of the contract demands that the supplier must be based in the local area.

#### **5.4 Tenders above £30,000 and below European Thresholds**

**5.4.1** Although not covered by the European Procurement rules, these tenders are subject to formal Committee approval and are therefore in the public domain. The same principles of openness, transparency and anti competitiveness that apply to European contracts should also apply to these contracts. For this reason, additional weighting cannot be built into evaluation criteria for local companies unless the nature of the contract demands that the supplier must be based in the local area. However, it is important that as many local companies as possible are made aware that all tendering opportunities are published on Public Contracts Scotland and that they are suitably equipped to respond in the required format.

**5.5** It is recognised that for some smaller companies, the requirements of public sector tendering processes can be onerous and tenders can often be difficult to understand and complete.

**5.6** It is the Council's intention to review the standard tender documentation and to develop accompanying guidance for businesses to help them to understand better the Council's tendering requirements. This will be rolled out through the local Chambers of Commerce and Social Economy Network.

### **6. Sub Threshold Purchasing**

**6.1** Executive Directors have delegated authority for purchases of up to £30K and within the four Directorates there are various authorisation levels at which purchases can be approved. For larger requirements in this bracket, written quotations will be sought and decisions to purchase will be made on the basis of best value. Executive Directors should have regard to the possible aggregation of such contracts.

**6.2** As indicated in paragraph 4, the Corporate Procurement Unit is planning to develop a network of procurement contacts within the Council. Once completed, this will be publicised through the local business forum.

**6.3** It is considered that the Quick Quote Facility outlined in Section 9.3 below can be used to request quotes for sub threshold requirements and these requests can be directed to specific post code areas if applicable.

### **7. Approved Lists**

**7.1 Health and Safety** – the department of Housing, Environmental and Economic Development operates a list of companies who have been pre-approved for Health & Safety performance. No company will be permitted to carry out construction related work on the Council's premises unless they have been approved to join this list.

7.2 Inclusion on the list does not guarantee business with the Council but companies will not be asked to tender or quote for work unless they are on the list. Consideration will be given to highlighting local companies on the list so that they are given the opportunity to quote / tender for work on a regular basis.

7.3 For further information on joining the list, companies should e mail [struthers.symington@west-dunbarton.gov.uk](mailto:struthers.symington@west-dunbarton.gov.uk)

7.4 **Social Work and Health** - the Commissioning team within Social Work & Health operates an Approved Providers List (APL). The APL acts as a register of providers able and willing to tender for Social Care Services and Training Services (to a limit of £30,000 and for a period of 1 year). Any supplier wishing to be accredited and included on the APL should e mail [APL@west-dunbarton.gov.uk](mailto:APL@west-dunbarton.gov.uk). The APL will be re-opened every 3 years for re-accreditation of existing and new providers.

## 8. Collaborative contracts

8.1 John McClelland undertook a review of public procurement in Scotland in 2006 at the request of the Scottish Government. Among other things, his report highlighted the fragmented approach to procurement across the public sector and the loss of opportunity to take financial advantage of a “corporate” approach by delivering economies from combined purchasing power.

8.2 The result of this was the setting up of a number of Centres of Procurement Expertise for the various sectors. The two centres that are of most relevance to West Dunbartonshire Council are

- [Scotland Excel](#), the Local Authority Centre and;
- [Procurement Scotland](#), the National Centre.

8.3 A number of collaborative contracts are already in place and the Council encourages its staff to maximise use of these. Details of the current contracts can be found both on the Council’s website (link attached) <http://www.west-dunbarton.gov.uk/business-and-trade/corporate-procurement/contracts-for-businesses/collaborative-contracts/> and on the individual Centre websites (use the links above). All new collaborative contracts are advertised through the Public Contracts portal.

8.4 The aims of the McClelland Review were to maximise efficiency and financial savings by the mandatory application of national and sectoral contracts for common requirements. Inevitably this results in large high value contracts that are outwith the reach of many SMEs. It has been suggested that larger collaborative contracts could be broken down into geographical areas (with cluster authorities) and/or that commodity groups could be broken down into smaller packages of commodity types or by the use of Framework Agreements with multiple suppliers/providers/contractors.



**8.5** Procurement staff within WDC will actively encourage this approach for any contracts that they are involved in and SMEs are encouraged to lobby both Procurement Scotland and Scotland Excel in order to ensure that their business interests are taken into account when contract packaging strategies are being developed.

## **9. National initiatives**

**9.1** The following initiatives have been endorsed by the Scottish Government. West Dunbartonshire Council's Procurement Section is currently looking at how these can be implemented locally for the benefit of the business community.

### **9.2 Public Contracts Scotland Portal**

**9.2.1** The Public Contracts Scotland portal has been developed as a "one stop shop" for suppliers to view all public sector tendering opportunities in one place. So far, over 40,000 suppliers have registered to use the site. One of the main benefits of the site is that suppliers can specify what type of contracts they are interested in and will receive automatic alerts when any contracts in their chosen category are published.

**9.2.2** It is the Council's intention to publish as many of its tender notices as possible on the portal. It is recommended that all local suppliers register as users of the portal as soon as possible. The website address is [www.publiccontractsscotland.gov.uk](http://www.publiccontractsscotland.gov.uk)

### **9.3 Quick Quote Facility through Public Contracts Portal**

**9.3.1** Quick Quote is a relatively new development within the national advertising portal. It is an online request for quotation facility which can be used to obtain competitive quotes for sub tender threshold / low value / low risk procurements from suppliers who are registered on the portal. The Quick Quote request is created online and sent to a selected list of suppliers and the distribution list can be restricted to local postcode areas if appropriate. Only those suppliers selected to quote can access the details of the request and submit a bid either in hard copy or through a secure electronic post-box.

**9.3.2** The Corporate Procurement Section is currently working with Service Departments to introduce this facility in West Dunbartonshire and will ensure account is taken of the ability to target suppliers in the local area.

## **9.4 Suppliers Charter**

**9.4.1** The Suppliers' Charter is a Joint Statement between Public Sector Procurement organisations and Businesses outlining the commitment of the public sector to (among other things):

- develop public sector procurement processes with the aim of ensuring fairness and transparency and;
- consult with businesses on an ongoing basis to achieve change.

**9.4.2** It specifically commits public bodies to ensuring adequate publicity, the use of a core questionnaire and debriefing on request. The Charter will be a developing document and requires formal sign up by public bodies. To date, 20 Local Authorities have signed up to the Charter. West Dunbartonshire will sign up to the Charter in order to demonstrate its commitment to developing better links with the local business community.

**9.4.3** The Charter is available to view at <http://www.scotland.gov.uk/Topics/Government/Procurement/Selling/Suppliers/charter2>

## **9.5 Pre Qualification Questionnaire**

**9.5.1** One of the requirements of the Suppliers Charter is the use by Councils of a Core pre qualification questionnaire for routine procurements to enable authorities to assess the capacity of suppliers to fulfil their requirements prior to tender stage.

**9.5.2** Subject to confirmation as to its suitability, West Dunbartonshire Council will consider introducing the questionnaire as part of its tendering / pre-qualification procedures.

## **9.6 Single Point of Enquiry**

**9.6.1** The Single Point of Enquiry (SPoE) has been set up to provide suppliers to the public sector or publicly funded bodies with an impartial point of contact where they can ask for advice or raise concerns about public procurement practices in Scotland.

**9.6.2** The Single Point of Enquiry **aims** to:

- provide businesses with advice on procurement legislation and practices
- seek resolution of disputes regarding procurement practice and
- help improve the consistency of public procurement processes applied by public and publicly funded bodies in Scotland

**9.6.3** A link to the SPoE is attached <http://www.scotland.gov.uk/Topics/Government/Procurement/Selling/supplier-enquiries>

## **9.7 Six Simple Steps**

**9.7.1** Many of the actions outlined above will help the Council to meet the “Six Simple Steps” to promote SME involvement as outlined by John Swinney in a letter to public bodies in April 2009. These steps are

- 1. Adopt the “Suppliers’ Charter”** – which commits public bodies to improving the way they work with businesses. This is covered at paragraph 9.4 above.

- 2. Use the Public Contracts Scotland advertising portal.**  
Public bodies should publish their “buyer profile” on the portal – to help suppliers find out quickly and cheaply whether a public body is a potential customer; advertise as many contract opportunities as possible and publish contract award notices – to give suppliers free access to contract opportunities across the Scottish public sector; and use the ‘quick quote’ facility for very low value contracts – to allow suppliers to bid for very low value contracts with the minimum of bureaucracy. This is covered at paragraph 9.2 above.
- 3. Review contract award procedures** – to ensure that they place the minimum possible burden on suppliers, for example through use of a core supplier questionnaire. This is covered at Section 9.5 above.
- 4. Use outcome based tender specifications wherever possible** – to allow businesses to propose innovative and alternative solutions to public sector business needs.
- 5. Include in their terms and conditions a requirement that contractors pay any sub-contractors within 30 days of receipt of a valid invoice** – to ensure that sub-contractors, as well as contractors, receive prompt payment. Discussions will commence with the Council’s Legal Section to determine if this can be incorporated into Terms & Conditions of Contract.
- 6. Monitor spend with SMEs** – use data from the Scottish Procurement Information Hub to monitor spend with SMEs. Monitoring spend by way of a Best Practice Indicator (BPI) will enable public bodies to demonstrate the success of the other activities. The Corporate Procurement Unit has already started to monitor the level of spend with local SMEs (see paragraph 3.2 / 3.3. above and also Appendix 1 and will be continuing to monitor this year on year.

## **9.8 Supplier Development Programme (SDP)**

**9.8.1** The SDP is now well established as a business growth initiative which, in partnership, delivers a range of specialist business support activities including the provision of advice, information, training and funding support with the aim of assisting businesses to become more capable of accessing and competing for public sector contracts. West Dunbartonshire Council is pleased to be one of fifteen local authority partners of the SDP and actively participates in their Meet the Buyer events.

**9.8.2** The SDP runs a number of seminars and workshops which are free of charge for registered companies and which are designed to help companies prepare to compete for public sector contracts. For further information on the Supplier Development Programme, please visit their website at <http://www.sdpscotland.co.uk/home.aspx>

## **9.9 Business Development**

**9.9.1** Further support for local businesses is available from the Business Development Section of West Dunbartonshire Council which runs a Skills Development Programme to assist local companies to develop their capacity to tender. For further information, please contact [business.support@west-dunbarton.gov.uk](mailto:business.support@west-dunbarton.gov.uk)

## **10. E-Procurement / Purchasing Cards**

**10.1** The Council has implemented an e-Procurement system which enables electronic transmission of orders and is designed to make the purchasing process more efficient for both Council and suppliers. The e-Procurement Project Team is adopting existing suppliers on to the system and any current suppliers who would be interested in participating in the project should contact the We Buy Team on 01389 608453.

**10.2** Corporate Purchasing Cards are also being introduced for commodities that are unsuitable for e-procurement.

## **11. Ensuring Prompt Payment of Invoices**

**11.1** The Council's target for payment of Creditors invoices is 30 days from date of receipt of invoice and during 2008/09, 83.12% of invoices were paid within this timescale. It is recognised that prompt payment of invoices is essential to allow businesses to maintain positive cash flow and the Council will strive to ensure that performance in this area is continually improving.

**11.2** The Council is taking pro-active steps to reduce the number of suppliers paid by cheque and to move them on to BACS payments. Not only do BACS payments streamline the administrative processes within the Council, they also ensure earlier clearance of payments through suppliers' bank accounts.

**11.3** Companies that receive orders through Purchasing Cards will receive payment from the bank automatically within 3-4 days.

## Appendix 1

Breakdown of WDC supplier payments in year 1 April 2007 to 31 March 2008

<b>Supplier Category</b>	<b>Total Spend</b>	<b>Total Invoices</b>	<b>Total Suppliers</b>
<b>Proclass Level 1</b>			
Construction	14,451,047.65	9,820	166
Social Community Care	11,957,426.92	9,316	99
Utilities	7,414,044.22	5,982	12
Consultancy *	5,355,022.68	1,061	149
Environmental Services	4,086,345.47	1,581	44
Human Resources	3,138,974.46	4,011	98
Vehicles Not Buses	2,869,434.67	5,056	90
Financial Services	2,817,056.36	876	46
ICT	2,802,768.42	7,031	77
Building Construction Materials	2,769,126.33	10,458	120
Catering	2,456,424.82	8,728	53
Facilities Management	1,860,964.91	3,954	113
Mail Services	1,671,621.44	508	13
Education	1,502,198.66	3,875	133
Domestic Goods	1,025,617.44	605	15
Transport	956,171.56	2,371	29
Furniture	720,819.51	1,665	42
Unclassified Trade	654,549.97	1,261	58
Legal Services	635,549.82	958	21
Cleaning and Janitorial	586,613.62	3,625	30
Stationery	542,190.00	3,232	29
Medical	509,062.77	779	34
Highway Equipment and Materials	466,043.25	103	7
Unclassified Non Trade	410,584.38	123	9
Traffic Management	409,271.58	179	7
Sports & Playground	310,032.46	411	26
Leisure Services	253,974.62	235	43
Horticultural	240,625.53	255	20
Clothing	210,732.29	1,149	22
Health and Safety	76,194.12	376	6
Cemetery & Crematorium	28,508.38	14	1
<b>Total</b>	<b>73,188,998.31</b>	<b>89,598</b>	<b>1,612</b>

\*Includes payment of over £2.1million to Strathclyde Passenger Transport (School Transport) and a number of significant payments to providers of software such as Servitor, Microsoft etc. Proclass includes these types of companies under the "Consultancy" classification.

Source – Scottish Government - Scottish Procurement Information Hub

## Appendix 1

Breakdown of supplier payments in local post code areas in year 1 April 2007 – 31 March 2008

<b>Postcode</b>	<b>Total Spend</b>	<b>Total Invoices</b>	<b>Total Suppliers</b>	<b>% Of Spend</b>
G81	6,498,335.02	6,092	85	8.87
G82	5,093,400.41	8,522	76	6.95
G83	2,448,650.33	2,808	42	3.34
G84	814,829.55	732	21	1.11
<b>Total</b>	<b>14,855,215.31</b>	<b>18,154</b>	<b>224</b>	<b>20.28</b>

Percentage of local suppliers in terms of employee numbers and annual revenue:

<b>Supplier Size</b>	<b>% of total suppliers</b>	<b>Annual Revenue</b>	<b>% of total suppliers</b>
1 to 4 employees	24%	Less than £50K	6%
5 to 9 employees	18%	£50K - £100K	2%
10 to 19 employees	17%	£100K - £250K	16%
20 to 49 employees	20%	£250K - £500K	21%
50 to 99 employees	9%	£500K - £1m	22%
100 to 199 employees	5%	£1m - £2m	11%
200 to 249 employees	2%	£2m - £5m	13%
More than 250 employees	5%	More than £5m	9%

Source – Scottish Government - Scottish Procurement Information Hub