

**Subject: PROCUREMENT STRATEGY UPDATE**      **Status: FOR PUBLICATION**

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**Report to: THE CABINET**

**Date: 19<sup>th</sup> September 2006**

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**Report of: HEAD OF FINANCIAL SERVICES**

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**Portfolio**

**Holder: FINANCE & RISK MANAGEMENT**

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**Key Decision: NO**

Forward Plan       General Exception       Special Urgency

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**1. PURPOSE OF REPORT**

1.1 The purpose of the report is to incorporate into the Council's procurement strategy the Small Business (SME) Friendly Concordat and to review and update the strategy in some minor areas.

*(SME = small-medium size enterprises)*

**2. CORPORATE PRIORITIES**

2.1 The matters discussed in this report are linked to and support the following corporate priorities:

- *Financial Management – the procurement strategy is a key tool in delivering sound financial management within the Council*

**3. RISK ASSESSMENT IMPLICATIONS**

3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- The Report and recommendations ensure that the Council maintains its progress in procurement and continue to align itself with the National Procurement Strategy

## **4. BACKGROUND AND OPTIONS**

- 4.1 The National Procurement Strategy strongly encourages all local authorities to sign up to the Small Business (SME) Friendly Concordat.  
( a copy of which can be viewed at:  
[http://www.sbs.gov.uk/SBS\\_Gov\\_files/services/odpm\\_locgov\\_035612.pdf](http://www.sbs.gov.uk/SBS_Gov_files/services/odpm_locgov_035612.pdf) )
- 4.2 The Small Business (SME) Friendly Concordat is a voluntary, non-statutory code of practice. The National Procurement Strategy for Local Government (October 2003) sets a target for all Local Authorities to have adopted the Concordat by the end of 2005
- 4.3 The purpose of the Concordat is to set out what firms and others supplying Local Government can expect when tendering for the Councils contracts. It is not intended that small suppliers automatically be given a competitive advantage when tendering for contracts due to the Concordat.
- 4.4 The Concordat represents a commitment from the Council to encourage and develop appropriate levels of competition in our purchasing needs in order to increase value for money and foster innovation, particularly from those businesses/suppliers who may find it difficult to break into our areas of procurement. These may include SMEs, which themselves could include local businesses, ethnic and minority owned businesses (EMBs), women-owned businesses, social enterprises and voluntary and community organisations (VCOs).
- 4.5 **What are the advantages of adopting the Concordat?**
- 4.6 The former ODPM (now Department for Communities and Local Government - DCLG) has a strategy to develop a more diverse local government services market. A contestable and competitive supply base can provide opportunities for greater innovation, efficiencies and higher quality survives.
- 4.7 SMEs are often local businesses and members of the local community; therefore any assistance given to them can also bring benefits to the local community. The same holds true for many social enterprises, voluntary and community organisations and Black and Ethnic Minority Enterprises. SMEs are also generally locally owned and often employ people from a smaller catchment area than larger competitors. Local Authorities should not, however, ignore the benefits offered by small firms who trade on a wider national or regional basis and must ensure that their policies are consistent with EU law i.e. that there is also no discrimination against larger firms.
- 4.8 Small firms can offer real benefits to Local Authority clients, some of which are outlined below:
- They can often respond quickly and flexibly to customer needs.
  - They can be a source of innovation, ideas and products.
  - They can offer cash savings, improved quality, service and effectiveness.
  - They are frequently close at hand.
  - Some, like social enterprises and those operating in the voluntary and community sector, may have better access to hard to reach customer groups.
  - They may attach more importance to doing business with a Local Authority.

## **4.7 The Council's commitments**

4.8 The Rossendale Community Strategy (2005 – 2020) states that by 2020 Rossendale will have a prosperous economy where everyone has the opportunity to fulfil their potential.

4.9 Under the Local Government Act 2000, councils are required to prepare a 'Community Strategy' and have powers to promote the economic, social and environmental well-being of their communities. Provided there is compliance with the EC Public Procurement Regulations and 'Best Value', councils can work with suppliers to realise 'community benefits' of this kind through their procurement activities. The Council's Procurement Strategy will help enable this ambition.

4.9 The concordat states that the Council will within its Procurement Strategy commit to:

- The role procurement plays in delivering the Council's objectives and its contribution to the Community Strategy, workforce issues, diversity and equality and sustainability.
- How we will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.
- A commitment to ensure that our approach to individual contracts, including large contracts and framework agreements etc, is supported by a sound business case and options appraisal.
- A commitment that where we decide that the best value option is to aggregate supply or let a longer-term contract or framework agreement, we will invite bidders to demonstrate their track record in achieving value for money through effective use of their supply chain.
- A commitment to consider the role of SME specialist suppliers in delivering elements of larger contracts and framework agreements.

4.10 Appropriate amendments have been made to the Procurement Strategy to reflect the commitments as detailed above. The revised strategy is attached at appendix 1 and has all changes highlighted. In addition appendices 2 and 3 show revised action plans and progress against the National Procurement Strategy.

## **5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES**

5.1 The Concordat enhances the Council's existing Procurement Policy and its commitment to both best value and value for money in procurement matters

## **6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES**

6.1 There are no legal implications as adoption of the Concordat still requires the Council to comply with EU law and the Constitution in matters of procurement.

## **7. COMMENTS OF THE HEAD OF HUMAN RESOURCES**

- 7.1 There are no direct Human Resource issues.
- 7.2 Equalities: The adoption of the Concordat may increase the use of local social enterprise groups which in turn may then benefit and support other communities throughout the borough.
- 7.2 The Concordat therefore continues to improve the Council's approach to matters of equality and diversity

**8. CONCLUSION**

- 8.1 The Council should sign up to the Small Business (SME) Concordat as encouraged by the National Procurement Strategy. A copy of the Concordat can be seen at:  
[http://www.sbs.gov.uk/SBS\\_Gov\\_files/services/odpm\\_locgov\\_035612.pdf](http://www.sbs.gov.uk/SBS_Gov_files/services/odpm_locgov_035612.pdf)

**9. RECOMMENDATIONS**

- 9.1 That members consider the report and the Small Business (SME) Concordat
- 9.2 That Members commit to the Concordat
- 9.3 That Members approve the amendments to the Procurement Strategy and associated appendices

**10. CONSULTATION CARRIED OUT**

- 10.1 Department for Communities and Local Government (DCLG, formally ODPM)
- 10.2 Head of Community & Partnerships
- 10.3 Economic Regeneration Manager
- 10.4 Community Network
- 10.5 Economy Theme Group of the LSP

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| <b>Background Papers</b> |   |
| Document                 | Place of Inspection   |
| National Procurement     | <a href="http://www.odpm.gov.uk/pub/723/NationalStrategyforLocalG">http://www.odpm.gov.uk/pub/723/NationalStrategyforLocalG</a> |

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| Strategy | <a href="#">overnmentProcurementPrintVersionPDF362Kb id1136723.pdf</a> |
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