

REPORT TO: Cabinet

6 March 2019

LEAD CABINET MEMBER Leader of the Council

LEAD OFFICER: Interim Executive Director of Corporate Services

Barriers to Council Procurement for SMEs Task and Finish Group findings

Purpose

1. To outline the findings of the Barriers to Council Procurement for SMEs Task and Finish Group.
2. To consider and approve the recommendations to take forward.
3. This is not a key decision however it is a key step in implementing the new administration's ambition to support businesses of all sizes, including rural enterprise and farming, to help create new jobs and opportunities near to where people live.

Recommendations

- Cabinet consider and approve, with or without amendments, the recommendations set out in the report; and
- Progress against any agreed recommendations is reviewed in 12 months.

Reasons for Recommendations

4. The Barriers to Council Procurement for SMEs Task and Finish Group have reviewed the Council's existing procurement processes with a view to ensuring that council contracts are accessible to local small and medium-sized enterprises (SMEs). They have developed a series of recommendations, outlined below, which, if implemented, could significantly improve the skills and knowledge of local companies and reduce the resource requirements when applying for council contracts.

Background

5. The Barriers to Council Procurement for SMEs Task and Finish Group was established in June 2018 following a request from the Leader of the council. It forms part of the Scrutiny and Overview Committee's work programme for 2018/19.
6. The purpose of the Group is to consider how the Council could facilitate SMEs and procure work in a cost effective, reasonable and proportional manner from them. They have also reviewed the barriers to SMEs securing contracts with the Council.
7. SMEs can face greater hurdles when competing with larger firms for public sector contracts. SMEs are smaller and, as such, they are likely to have less time and resources available to identify opportunities and participate effectively in tendering processes. They may also have less experience and may not have mature business policies and procedures required in some tendering processes. This means that they can miss out on new business opportunities.

8. Improving the accessibility of SMEs to council contracts will not only support local business growth. With their lower cost base, SMEs can provide better value for money. They can also be more agile and respond quickly to opportunities for growth and innovation. Greater competition can be a route to efficiency.
9. The Task and Finish Group met during November 2018. It is chaired by Councillor Grenville Chamberlain. Its other members are Sarah Cheung Johnson and Brian Milnes. Sean Missin, Procurement Officer, and Johanna Davies, Economic Development Officer, have provided advice and support to the Group.
10. At their meeting on 9 November 2018, the Task and Finish Group members discussed the opportunities available to improve access to SCDC contracts for local SMEs within the context of existing UK regulations. They agreed recommendations for a series of small, manageable changes that will improve the accessibility of council contracts to local SMEs. These are outlined below.

Recommendations

Recommendation 1:

11. Review and simplify the tendering documentation for council contracts below the EU Procurement Thresholds (Supply, Services and Design Contracts £181,302, Works £4,551,413).
12. By ensuring that SCDC's guidance and forms are easy to read and understand, that requests for information are proportionate to the scale of contract being tendered, and by providing examples of good practice, SCDC should help SMEs to overcome the barriers caused by lack of time, resources and experience.
13. For contracts above the EU Procurement Thresholds, the council is required to use a standard form specified by Government. For contracts below the EU Procurement Thresholds there is greater flexibility to review and alter the paperwork issued to businesses. As such, the requirements and language contained in both the *Invitation to Tender* and *Part B Document* will be reviewed and, where appropriate, reduced, simplified or enhanced.
14. As a result of concerns around the insurance and indemnity levels required for Council contracts, EMT has requested that the provisions included in these contracts also be reviewed as part of this process.

Resources: Some Member and Procurement, Legal and Economic Development officers' time (within existing resources).

Timescale: Completed end of April 2019.

Recommendation 2:

15. Develop, promote and run a minimum of two procurement workshops for local SMEs during 2019.
16. Training in SCDC's procurement process and the completion of tender forms should help SMEs to overcome barriers around the experience and knowledge to compete for procurement opportunities identified in paragraph 7.
17. The procurement workshops will build on the SCDC procurement event that was held at the beginning of 2018. They will cover some of key areas that SMEs identify as a barrier to procurement, for example:

- How to demonstrate compliance;
 - How to market services or competence;
 - Understanding the tender process;
 - Completing tender documents;
 - Good practice in tender submissions; and
 - Meeting social value requirements.
18. An initial pilot workshop will take place in April 2019 with further workshops from April - December 2019. The workshops will be structured so as to achieve significant interaction between the attendees and the tutor. If there is significant demand, workshops will be repeated.
19. Discussions will take place with Cambridgeshire Chamber of Commerce and the FSB regarding the potential for partnering in the delivery of the workshops.
20. A variety of methods will be used to promote the workshops, including the council's business register, social media and partner agencies. The Task and Finish Group also identified two key communication tools to ensure that the opportunity reached as many local businesses as possible:
- The inclusion of a leaflet with the annual business rates bills.
 - Active promotion by Members within their local communities.

Resources: Procurement and Economic Development officers' and some Member time (within existing resources).

Timescale: Workshops held April 2019 – December 2019.

Recommendation 3:

21. Investigate how SCDC could increase awareness of contract opportunities locally whilst complying with the UK Regulations.
22. A key barrier to tendering for SMEs is not having access to information about what is being bought and when, meaning that they cannot participate or compete at the right times.
23. The Council's Constitution requires contracts above £25,000 (that are not subject to an exemption) to be advertised and competitively tendered. The Public Contract Regulations 2015 require that any contract that is advertised (above £25,000) should also be advertised through Contracts Finder, the Government's procurement portal. This means that all SCDC contracts over £25,000 will be visible to companies nationally.
24. Further investigation is required as to how all contract opportunities could potentially be promoted to SMEs locally whilst maintaining compliance.

Resources: Procurement and Economic Development officers' time (within existing resources).

Timescale: Completed end of April 2019.

Recommendation 4:

25. Review and update the council's procurement web pages to ensure that they are 'SME friendly'.
26. A key portal to council contracts for many local SMEs is SCDC's website. An important precursor therefore to the improvements to the tender documentation

issued as part of the tender process, is to review and update the information and advice provided on the council's website. This process will include looking at good practice from elsewhere.

Resources: Procurement and Economic Development officers' time (within existing resources).

Timescale: Completed end of April 2019.

Recommendation 5:

27. Work with the Sustainable Communities and Wellbeing team to develop a series of potential 'social value' examples.
28. Where appropriate, the council's Procurement Officer encourages officers to include social value criteria within their tendering process. Social value is the additional value created in the delivery of a service contract which has a wider community or public benefit. Examples include offering local apprenticeships or work placement opportunities, support for the voluntary sector and SME's and providing equipment for or involvement in community projects.
29. Experience suggests that many businesses do not have sufficient understanding of SCDC's 'social value' expectations in relation to the procurement process and the criteria is often poorly addressed or ignored in tender returns. However, the 'social value' criteria is a real opportunity for local companies to distinguish themselves from their national counterparts by showing the positive additional value that they could bring to local communities.
30. Improving the knowledge of local companies around 'social value' will be addressed through the provision of one or more workshops (depending on demand) during 2019. Discussion will be held with colleagues in the Sustainable Communities and Wellbeing team to develop a series of 'social value' examples that businesses attending the workshops could potentially use within future tender processes.

Resources: Procurement, Economic Development and Sustainable Communities and Wellbeing officers' time (within existing resources).

Timescale: Completed end of April 2019.

Recommendation 6:

31. Review the late payment of invoices with the South Cambridgeshire District Council's accountancy team.
32. The Council's performance target for payment of invoices within 30 days is 98.5. Over the last two years, the Council has met this target on only two occasions. Delayed payment can cause problems for businesses as it negatively impacts the amount of cash they have available to meet their immediate obligations. This can constrain the ability of a business to invest for future growth, and in the worst cases, it can force businesses to close. Small businesses are especially exposed to these problems when they do not receive payment on time.

Resources: Procurement and Finance officers' time (within existing resources).

Timescale: Completed end of April 2019.

Recommendation 7

33. Hold a Member Briefing on the changes that are being made to the council's procurement process.

34. South Cambridgeshire District Council members are a vital resource in communicating the positive changes that are being made to the council's procurement processes. At the briefing, members will be provided with information on the changes and they will be encouraged to pass these, and our positive, business friendly message, on to businesses in their wards.

Resources: Procurement and Economic Development officers' and some Member time (within existing resources).

Timescale: May 2019.

Implications

35. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial

36. Finance comments as follows: No need for additional budget to implement the recommendations has been identified at this stage. Improving the knowledge of local SMEs about the Council's procurement processes should increase competition and this may reduce subsequent contract costs.

Legal

37. 3C Legal Services comments as follows: There do not appear to be any specific legal implications of adopting any one of the recommendations outlined in the report. Any revisions to documentation will need to be reviewed by 3C Legal Service to ensure they are legally compliant with the current procurement legislation and the Council's constitution.

Staffing

38. Staffing requirements are included under each recommendation. They are unlikely to be significant.

Risk Management

39. Compliance with UK Regulations will be carefully considered when implementing all of the recommendations.

Equality and Diversity

40. There are no significant implications.

Climate Change

41. Improving the access of local companies to local contracts should help to reduce the distance that resources will need to travel and therefore the carbon footprint of council contracts.

Consultation responses

42. None.

Effect on Corporate Priorities

Priority Area – Growing local businesses and economies

43. The recommendations to improve the procurement process will help to reduce market failure from imbalances in information and experience and therefore support the focus of the Priority Area to "make it easy to do business in South Cambridgeshire."

Priority Area – A modern and caring Council

44. In encouraging local SMEs to tender for Council contracts, the recommendations support the focus of the Priority Area to “reduce costs and improve customer service” as with their lower cost base, SMEs can provide better value for money.

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council’s website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

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