

NAME OF SCRUTINY COMMITTEE	Corporate Scrutiny Committee
DATE OF MEETING	31 January 2013
TITLE OF ITEM	The Sustainable Procurement Policy
CABINET MEMBER	Cllr. John Wynn Jones

1.0 Introduction

- 1.0 On the request of the Scrutiny Committee, this Progress Report details the successes of the Sustainable Procurement Policy to date along with areas requiring improvement.

2.0 Background

- 2.1 The procurement structure within the Council is decentralised, that is the Corporate Procurement Unit provides policy guidance and a strategic overview in terms of procurement but the responsibility for buying remains with the services.
- 2.2 The latest Sustainable Procurement Policy was adopted in April 2011. The purpose of the Sustainable Procurement Policy is to ensure that procurement activities are achieved in a responsible and sustainable manner, and also to maximise opportunities to make the best possible use of the Council's expenditure in order to improve economic, environmental and social performance within the County.
- 2.3 Through implementing the Sustainable Procurement Policy, the Council wishes to:
- 2.3.1 Ensure that procurement activities are undertaken in a manner that enables the appropriate suppliers, including small and medium enterprises, private companies and the third sector to compete for Council's contracts.
 - 2.3.2 Reduce environmental impacts through better selection and use of goods, services and work.
 - 2.3.3 Create an environment that provides opportunities to increase the benefits arising from the inclusion and use of social criteria within procurement activities.

2.3.4 Ensure that value for money assessments are based, where appropriate, on whole life costs.

2.4 In practical terms, the Sustainable Procurement Policy requires Services to undertake the following action points:-

- Contracts with a value of £500k and above – that the input of the Corporate Procurement Unit must be obtained with the purpose of identifying social, economic and environmental opportunities, and to include the relevant clauses in the contract. This includes completing the Sustainable Procurement Toolkit.
- Contracts work £50k to £500k – there is a need to complete the sustainability checklist.
- Sustainable Procurement Working Group – there was a target for two contracts to receive attention from the Sustainable Procurement Working Group.

3.0 Expenditure

3.1 The Scrutiny Committee asked for information regarding the number of contracts that are awarded to companies outside of Wales. It is not possible to report on the number of contracts that are awarded to companies outside of Wales, but it is possible to report on the Council's spend in general. Please see the graphs in Appendix 1 which shows the Council's expenditure:-

- Locally (within Gwynedd)(appendix 1a)
- With small and medium enterprises (appendix 1b)
- In North Wales (appendix 1c)

3.2 The graphs also show Gwynedd Council's performance against other councils and it can be seen that Gwynedd Council is performing well in general.

4.0 Successes so far.

- 4.1 A number of projects have followed the detailed procurement process which is required under the Sustainable Procurement Policy, including:
- The food contract
 - Bro Dysynni School
 - Blaenau Ffestiniog Regeneration Scheme
 - The Sailing Academy
 - Parent and Family Support
 - Upgrading the Dafydd Orwig Chamber and Court
 - Planned Maintenance Work
 - Lon Las Ogwen
- 4.2 Use of the Sustainable Procurement Policy has ensured that consideration is given to how contracts are structured i.e. lotting strategies which encourage smaller companies to bid, how environmental impacts are lessened and if community benefit clauses can be applied.
- 4.3 So far 5 contracts have used social benefit clauses, namely Blaenau Ffestiniog Regeneration Scheme, Bro Dysynni School, the Sailing Academy, Dafydd Orwig Chamber and Pont Briwet. In addition, the construction contract for Hendre School has also succeeded to win community benefits. It should be noted that community benefits clauses are not relevant to every contract but they do particularly suit construction contracts.
- 4.4 More detailed information and the benefits that have been gained to date from the Blaenau Ffestiniog Regeneration Scheme and Hendre School can be seen in Appendices 2a and 2b.
- 4.5 Value Wales, who are the Procurement Policy Unit for the Government, have developed the Welsh Community Benefits Tool to assist with quantifying benefits arising from specific contracts (i.e. contracts over £2m). This tool is completed by the successful Contractor at the end of the contract. The main messages arising from the Blaenau Ffestiniog Regeneration Scheme are:
- That a contract worth £2.6m has created benefits to the Welsh and UK economy of £4.3m
 - £1.1m has been spent with Welsh businesses.
 - That small and medium enterprises within Wales have won £514,637 worth of work.

- That Welsh people have received an income equivalent to £443k.
- 3 unemployed people have received work over the term of the contract.
- 5 people received an apprenticeship.

5.0 Areas for Improvement

5.1 Departmental performance against the Sustainable Procurement Policy is now monitored by the Procurement Unit and reported to the Cabinet Member and Heads of Service on a quarterly basis. The relevant performance indicators up until Quarter 3, 2012/13 can be seen in Appendix 3.

5.2 The measures show that 6 out of 9 contracts have followed the detailed procurement process for contracts worth over £500k. However, 3 high value contracts have failed to follow the process. It is possible that this is because the performance measures are a new requirement this year. For information, performance for quarter 3 has been 100%.

5.3 Although performance indicators for contracts over £500k are very encouraging, performance on contracts below this level is unclear / appears poor. Under this level of expenditure, departmental procurement officers are required to complete a sustainable procurement checklist. Very few have been completed to date.

5.4 Obviously, there is room for improvement, especially for contracts below £500k and potentially this is an opportunity to use a Working Group to take hold of the task of identifying the reasons why some departments are not meeting the requirements of the policy.

6.0 Other Developments which are relevant to Sustainable Procurement

6.1 Compact - SQuID

6.1.1 As part of Welsh Government's Compact the Council has moved to adopt the SQuID (Supplier Qualification Information Database). The SQuID is a standard pre-qualification questionnaire that is to be adopted throughout Wales. Gwynedd Council is considered by Value Wales to be a leading light in the use of SQuID especially when using together with electronic tendering methods.

6.1.2 The electronic SQuID allows contractors to store their answers to standard pre-qualification questions. On subsequent tenders (and especially electronic tenders), their answers are automatically uploaded. As you can imagine, this saves a great deal of time and effort on behalf of both the buyer and the supplier.

6.2 Compact – Community Benefit Clauses

6.2.1 Welsh Government have stated that local government will use community benefit clauses within contracts that are worth over £2million and where benefits for the community can be achieved.

6.2.2 Obviously, under the Sustainable Procurement Policy, Gwynedd Council have agreed to reduce this threshold to £500k. Therefore, every contract with of £500k or above will consider the use of community benefit clauses.

6.3 Compact – National Procurement Service and Collaborative Working

6.3.1 In their meeting of the 20th November 2012, the Council agreed in principle to sign up to the National Procurement Service. In addition to this, Gwynedd Council is still considering procurement collaboration on a regional level with Denbighshire and Flintshire Councils.

6.3.2 Moreover, the Cabinet agreed in a meeting on the 22 January 2013 to support the setting up of a framework agreement for construction projects over £4.35m for the 21st century schools programme, and to agree to implement the Procurement Strategy for the procurement of other structures over £4.35m, on the condition that Gwynedd Council's use of the framework will be reviewed on a case by case basis.

6.3.3 This means that some contracts will be implemented following national or regional arrangements in the future.

6.4 Working with Bangor University – Low Value Procurement Pilot

6.4.1 The Corporate Procurement Unit are working in partnership with Bangor University on a low value procurement pilot exercise. This work has arisen out of the "Barriers to Procurement Opportunity Report, 2009" which found that smaller organisations were having difficulty accessing lower value contracts.

6.4.2 The pilot is looking at a procurement exercise being undertaken by the Supporting Business Unit in the Economic and Regeneration Department.

6.4.3 If successful, the low value procurement process can be fully implemented within the Council as a whole.

7.0 Supporting Business

7.1 A meeting was held between the Sustainable Procurement Working Group and two local companies in September 2011 in order to identify weaknesses within the procurement process. The main suggestions for improvement were:

- To simplify the pre-qualification process;
- To establish frameworks at different value levels in order to give more of a chance to smaller companies;
- To take care when selecting turnover levels in order to ensure that smaller companies do not get closed out of the tendering process.

7.2 In response to the above, the Council has adopted the SQulD as the standard pre-qualification document. The North and Mid Wales Trunk Road Agency have consulted with the market in order to receive the opinions of companies on how the new framework should be established. In relation to the turnover levels, and because of the use of SQulD, the Council puts less emphasis on turnover levels and looks at a company's ability to undertake the work.

7.3 Another method of improving the chances of companies to win business is to offer comprehensive debriefs to unsuccessful bidders. This would assist companies to understand why their bids have been unsuccessful and allow them to improve their subsequent bids based on the advice given. It is considered that the debriefs provided by Council officers to bidders are inadequate.

7.4 In terms of external advice and guidance, this can be obtained from Bangor University's Tender Review Service. This service analyses previous tenders, identifies strengths and weaknesses and provides constructive feedback and recommendations on how to improve future tenders.

8.0 The Way Ahead

8.1 As part of the process of developing the strategic plan, a session was held to discuss this field with members of the Cabinet in December. The main messages in terms of the way ahead included the need to:-

- Re-consider procurement arrangements within the Council in order to synchronise attitudes and practice across Services.
- Offer feedback to companies who are not successful in winning work.
- Re-consider procurement tendering thresholds.
- Support businesses in order to allow them to prepare for tendering, e.g. sufficient notice of which contracts will be advertised and when, and being clear with what is required from businesses.
- The need for specific training for officers who are procuring.

8.2 These considerations, along with general feedback from members and officers will feed into the Council's strategic plan for the future.

8.3 For information, the Economy Cabinet Member leads on procurement matters on the North Wales Economic Ambitions Board. The Cabinet Member can offer clear leadership for improving and standardising procurement processes across North Wales counties.

9.0 Recommendations

In order to strengthen the performance of the Sustainable Procurement Policy, it is recommended that the Scrutiny Committee:

- Support the progress so far;
- Emphasise the need for Services to use the procurement support that is available and to comply with the sustainable procurement policy;
- Establish a Working Group to undertake a scrutiny investigation into performance of contracts under £500k, identify good practice and recommend improvements.