

## **Policy on use of local SME and VCSE suppliers**

### **1. Introduction**

Our Corporate Plan seeks to drive growth in the North Somerset economy and local jobs. One of the ways in which we can support this outcome is through the c £170M that we spend each year on commissioning goods, works and services from our suppliers. We already spend over 50% of our direct supplier spend with locally based companies, but there is much more that we can do to remove real and perceived barriers to doing business with the council, and to make our commissioning intentions more transparent to potential suppliers.

Spending our money with local suppliers provides additional economic benefit to the local economy, and this policy sets out how we can remove some of the barriers to working with local suppliers, and optimise our expenditure with them.

### **2. National Context**

#### **2.1 Small and medium sized enterprises (SME) spend**

In 2010, the government announced an aspiration for 25% of its spending to go to SMEs by 2015. In August 2015, the government announced that it would extend this target to 33% by 2020. The target covers both direct contracts with SMEs and spending that reaches SMEs indirectly (where the government's contract is with a larger provider that subcontracts SMEs as part of its supply chain). In 2016/17 North Somerset Council spent 35% with SMEs, so is already exceeding the target.

#### **2.2 Local spend**

The Federation of Small Businesses found that in 2014 local authorities spent a total of £8.7 billion buying goods and services in their local area. The report highlighted how doing business locally is better value for money as it showed that for every £1 spent with a small or medium-sized business (SME) 63p was re-spent in the local area compared to 40p in every £1 spent with a larger business.

#### **2.3 National Procurement Strategy for Local Government**

The National Procurement Strategy for Local Government in England has stated that Councils must focus on providing the maximum benefit into their communities from every taxpayer pound that is spent, and take responsibility for generating economic, environmental and social growth in local communities. The LGA's "Supporting Local Economies" strategy has a number of recommendations around making it easier for suppliers to do business with councils.

### **3. Increasing local/SME and voluntary, community and social enterprise (VCSE) spend**

Supporting the local economy through procurement is not just about awarding more contracts to local suppliers. There are a number of different elements to the strategy which are represented in the diagram below:



### 3.1 Awarding contracts to local suppliers

The Council's Contract Standing Orders, approved in July 2017, require that, when selecting suppliers to quote, preference should be given to local suppliers for all contracts with a value below £50k. Furthermore, for contracts with a value below £5k, where contracts can be awarded without competition, preference should again be given to VCSE and local suppliers.

This does not mean that we should automatically use local suppliers for all low value contracts, as there is always a value for money consideration. It does, however, provide a route to maximise opportunities for local suppliers.

### 3.2 Sub-contracting to local suppliers

There will inevitably be large contracts where local suppliers do not exist, or where there are other reasons for considering non local suppliers. On these occasions, we should seek to ensure that we work with these suppliers to ensure that, where they sub-contract elements of the contract, we optimise the amount of work that can be sub-contracted to local suppliers.

Social Value is a key tool to use in increasing the use of local supply chains and promoting local jobs. Using Social Value in the procurement process allows us to make this a key part of the evaluation, which focuses potential suppliers on supporting this objective.

We should also make local supply a key part of our contract management processes, to ensure that suppliers are delivering on their contractual obligations related to local supply, and to measure and improve their ongoing performance in this area.

### 3.3 Transparency and early supplier engagement

Lots of work has already been done to improve the quality of our contracts register and forward look of future procurements. We now need to share this information with suppliers more pro-actively so that they have full visibility of our external spend.

We will also work with local suppliers to ensure they are aware of forthcoming opportunities, and gaining their input, in advance of a formal tender process, will help them to better understand our requirements and submit competitive bids. This may involve meeting with potential suppliers to get their feedback on specifications before they are issued, with the potential, in some areas for gaining their input on requirements at the commissioning stage. We may also facilitate opportunities for VCSEs to identify potential ‘partners’ with whom to form consortia to bid for council contracts.

### 3.4 Removing barriers to bidding for council contracts

Public Sector procurement processes are governed by a wide range of laws and government directives that can make bidding very complex and daunting to potential suppliers.

We will look to simplify Council procurement processes and documentation wherever possible to remove unnecessary barriers to smaller suppliers competing for council contracts, and/or to provide support and advice to smaller suppliers.

We will provide constructive feedback to unsuccessful suppliers as part of the procurement process, to provide information that will be useful to them in tenders for future work.

We will also produce guidance for suppliers on how to sell to the council, and make this freely available on our website.

## 4. Actions

In order to achieve these objectives the following actions are proposed:

Action	Target date
Use pre-market engagement to identify local supply opportunities, gather local supplier input and to facilitate the development of consortia/sub-contracting arrangements	Ongoing
Review Procurement Plan documentation to ensure that scope and lotting decisions do not unnecessarily disadvantage local suppliers.	September 2017
Use the “Supplying the South West” Portal to manage tender processes for all contracts over £10k, and advertise contracts in advance where possible.	November 2017
Review and update procurement guidance and templates to ensure that it is as easy as possible for SMEs to bid for council contracts.	December 2017
Produce guidance and training, and review relevant documentation, to maximise our opportunities to promote the local economy through the Social Value Act.	February 2018
Publish the council’s Contracts Register, together with all known future contracting opportunities, on the council’s website.	April 2018
Produce “Selling to North Somerset Council” guide	April 2018

## 4. Measurement and targets

The impact of this policy will be measured through:

- Ongoing feedback from local supplier bodies
- Ongoing measurement of our total spend with local suppliers against a target of 50%.
- The delivery of the outputs from the actions set out above.