

SMALL BUSINESS FRIENDLY CONCORDAT

PROGRAMME AREA RESPONSIBILITY: RESOURCES

CABINET

15TH SEPTEMBER 2005

Wards Affected

Countywide

Purpose

To consider signing up to the principles set out in the Small Business Friendly Concordat.

Key Decision

This is not a Key Decision

Recommendation

THAT Herefordshire Council signs up to the principles set out in the Small Business Friendly Concordat; and that the Small Business Event in Shrewsbury on 5th October, 2005 be noted.

Reasons

It is a key milestone for 2005 in the National Procurement Strategy for Local Government that Councils should adopt the principles of the SME Concordat, which was issued by the Deputy Prime Minister this year. The Council is following the National Strategy and the aims of the Concordat are also generally in line with the aim of the Council's Corporate Plan to support business growth.

Considerations

1. The Small Business (SME) Friendly Concordat is a voluntary, non-statutory code of practice. ODPM, the LGA and the DTI's Small Business Service strongly encourage all Local Authorities in England to sign up to it. The National Procurement Strategy for Local Government (2003) sets a target for all Local Authorities to have adopted the Concordat by the end of 2005.
2. This report links two items, an introduction to the Small Business Friendly Concordat, and a description of an event for small businesses in which the Council is participating, in Shrewsbury in October.

The Small Business Friendly Concordat

3. Most of the material on the Concordat in this report is taken from the text of the Good Practice Guidance document which accompanies it. The Concordat itself is attached as an appendix to the report.

4. The Small Business Friendly Concordat is a voluntary, non-statutory code of practice aimed at helping small and medium-sized enterprises (SMEs). The Deputy Prime Minister, the LGA and the Small Business Service of the DTI have strongly encouraged all Local Authorities in England to sign up to it. The National Procurement Strategy for Local Government sets a target for all Local Authorities to have adopted the Concordat by the end of 2005.
5. The purpose of the Concordat is to set out what SMEs and others supplying Local Government can expect when tendering for Local Authority contracts. It is not intended that smaller suppliers should automatically be given a competitive advantage when tendering for local government contracts, but there are certainly steps that all contracting authorities could take to ensure that suppliers of all kinds are treated equally.
6. The Concordat also sets out the standards that public sector buyers should expect from their suppliers.
7. 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. Since SMEs are often local businesses, and members of the local community, any assistance given to them can also bring wider benefits to the community. The same holds true for many social enterprises, voluntary and community organisations, and Black and Ethnic Minority Enterprises.
8. SMEs are generally locally owned and often employ people from a smaller catchment area than larger competitors. ODPM advise that 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.
9. The Good Practice Guidance notes that SMEs can offer real benefits to Local Authority clients:
 - 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.
10. Cabinet approved a Procurement Strategy on 14 July. The report introducing the Strategy noted that the Council was unusual in (a) having outsourced a significant amount of its activities, or in other ways developed strong working partnerships, and (b) part-owning West Mercia Supplies, a purchasing organisation. Accordingly, the Council's own scope for dealing directly with SMEs is potentially a little less than elsewhere, but there is nothing in the Concordat with which the Council might fundamentally disagree. It is also worth remembering that the Council, when dealing with a principal contractor or partner, is increasingly taking pains to ensure that any sub-contractors or subsidiary partners down the supply chain are themselves following the Council's own requirements with respect, for example, to environmental or Diversity issues. The Council can similarly give effect to the Concordat at arm's

length, so to speak, by encouraging its principal contractors or partners to use local SMEs as subcontractors where possible.

SME Buying Event, Shrewsbury, October 2005

11. The Council is one of the joint owners of West Mercia Supplies (WMS), together with Shropshire County Council, Telford & Wrekin Council and Worcestershire County Council.
12. All of the owners, and WMS, already appreciate the importance of SMEs to their local economies. Accordingly, WMS and three of the four Councils - including Herefordshire - are hosting a workshop for SMEs on "How to do Business with your Local Council". The workshop will be held on 5 October 2005 in the Council Chamber at Shirehall, Shrewsbury, and procurement staff from WMS and the three Councils will be giving presentations. Worcestershire are not taking an active part in the workshop, but will be present as observers and are expecting to promote a similar event on their own in 2006.
13. To maximise awareness of the workshop, WMS is working closely with the Shropshire Chamber of Commerce and Enterprise to ensure the widest possible publicity. The Herefordshire Business Partnership have also been advised about the event.
14. The purpose of the workshop is to try to demystify the process of tendering for local authority contracts. Those attending the workshop will be "talked through" the tender process, understand why Councils need specific information about the tendering companies to be able to assess their capacity to undertake work for the Councils, and will be warned about common mistakes made when submitting a tender. Time will also be available for a Question and Answer session, and a buffet lunch will be provided to allow more informal discussions to take place.

"Doing business with Herefordshire Council"

15. A short article has appeared in the August edition of Herefordshire Matters saying that the Council was interested in doing as much business as possible with the County's own companies and businesses. There has been an encouraging trickle of responses to this article, mostly from SMEs, and contacts have been passed on by the Procurement Manager to the relevant spending officers in the Council.
16. Small Business Friendly Concordat: Good Practice Guidance, ODPM, 2005. A copy has been placed in the Members' Room and may also be inspected on the ODPM website at:
www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_035776.hcsp

Alternative Options

Other than the option of declining to adopt the Concordat, there is no practical alternative option for consideration.

Risk Management

There is no significant risk in not adopting the Concordat, other than possible disfavour from ODPM and the local business community. On the other hand, supporting its principles confirms the Council as keeping up with good practice elsewhere, and may also lead to better working relationships and partnerships with the Council's suppliers and contractors in

future.

Consultees

Relevant internal officers have been consulted. No external consultation has been felt necessary.

Background Papers

None Identified

National Procurement Concordat for Small and Medium-sized Enterprises

A statement of principles to encourage effective trade between local authorities and small businesses.

Introduction

We are committed to delivering locally the National Procurement Strategy for Local Government.

The strategy asks local authorities to adopt a small and medium sized enterprise (SME) friendly procurement concordat and to encourage a mixed range of suppliers in order to help develop and stimulate a varied and competitive marketplace. The concordat sets out the actions that local authorities will take to make their contracts more accessible to SMEs.

Although the principles should relate to all SMEs, the concordat is particularly focused on small businesses of less than 50 employees.

We recognise the important contribution that small businesses can make to the delivery of public services and the vital role these businesses play in the national and local economy. We are committed to making the most of the benefits offered by them.

Underlying Principles

Contracts are awarded in order to support the Best Value delivery of local government services. We will deliver value for money and take into account the whole life costs in contract decisions; this means considering quality, longer term cost and benefits as well as initial price.

We will make appropriate use of our legal powers including the power to promote the economic, social and environmental well being of our community.

All tender processes and contract awards will comply with EU Public Procurement Directives and the principles of non-discrimination, equal treatment and transparency and our duties under UK law.

Local Authority Commitments

Procurement strategy

We will publish a corporate procurement strategy. The strategy will include a commitment 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.*

Access to contract opportunities

We will publish on our website;

- Guidance for suppliers on how to do business with the council;
- details of forthcoming bidding opportunities, and;
- contact details for each contract, with appropriate links to any regional site and the national public sector opportunities portal (to be launched Summer 2005).

Details of our key suppliers.

- We will advertise contracts. We will use a range of publications and other means in order to encourage greater diversity and competition.
- We will give potential suppliers an opportunity to discuss the procurement in order to understand our requirements and assess their own suitability. Nothing will be done, however, which would give a particular business or provider an unfair advantage in competing for a specific contract.
- We will work with prime contractors - both at tender stage and during the life of a contract - to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain. We will provide details of our prime contractors on our website.

Fair tender processes

- We will apply our own rules and policies fairly.
- At pre-tender stage and during the tender process we will ensure that all tenderers have equal access to relevant information.
- We will keep the tender process as simple as possible in order to help minimise the costs to suppliers.
- If a pre-qualification stage is used we will use a Council-wide pre-qualification questionnaire containing common core questions with limited bespoke additions for each contract. We will work with regional and national partners to ensure a consistent approach to pre-qualification.
- We will assess potential suppliers against published pre-qualification and tender evaluation criteria. These criteria will be proportionate to the risks of the individual contract process. In particular the criteria relating to financial standing will not be set to unreasonably exclude newer businesses.

Feedback

We will offer meaningful feedback to suppliers following the procurement process in order that suppliers can improve for future tenders.

- We will seek feedback from suppliers, and their respective trade associations, on our tender processes and address where we can any problems that are brought to our attention.
- We will publish a complaints procedure.

Contract management

- We will treat suppliers openly and fairly. Suppliers will:
 - Be paid on time. No more than 30 days from receipt of an undisputed invoice.
 - Receive honest and constructive feedback on the supplier's performance of the contract.
 - Be given notice of any performance problems and an opportunity, if appropriate, to put matters right.
- All contracts will require our suppliers to pay their sub-contractors, throughout the supply chain, within 30 days from receipt of an undisputed invoice.

Supplier commitments

As customers we will make clear to our suppliers, and those wishing to do business with us, what is expected of them.

Declaration of support for the small business friendly concordat

The ODPM, the LGA and Small Business Service want to see all local authorities sign up to the Small Business Friendly Concordat. The Concordat is a voluntary, nonstatutory document, and your signature will not only demonstrate a pledge to actively engage with small businesses, but it will also show your authority's commitment to good procurement practices in general. This in turn should help foster a professional approach to managing procurement in your authority and, in doing so, help you implement key strategic objectives and milestones in the National Procurement Strategy for Local Government.

Name of your Authority:

Signed by:

Date:

Position in Local authority:
Thank you for your support.