

## How The Council Helps Local Small Businesses

<b>Committee name</b>	Corporate, Finance & Property Select Committee
<b>Officer reporting</b>	Matthew Kelly – Head of Procurement & Commissioning
<b>Papers with report</b>	None
<b>Ward</b>	All

### HEADLINES

There is a growing desire for Local Authorities to play a more active role in the communities in which they operate. This is increasingly the case for Procurement Teams where procurement is seen as a policy lever to deliver national and local strategies. Traditionally, procurement has been seen as a way in which to offer commercial and value for money assurance, playing a key role in managing risks including GDPR, H&S, Modern Slavery etc.

Increasingly the work around assurance is being supplemented by a more proactive approach in contributing to a broader social value offering including community wealth building, levelling up, net carbon zero, job creation, skills & training etc.

This paper focuses attention on the work already undertaken and the opportunities that exist going forward for Hillingdon Procurement Team to support local businesses. Within the confines of the law and the challenges set out below, the Procurement team want to do as much as they can to support the local business agenda.

### RECOMMENDATIONS:

**That the Select Committee notes the contents of the report.**

### 1 - SUPPORTING INFORMATION

#### Context

The legal requirement for Procurement to support local business is not explicit and only exists to the extent that it is set out in the Social Value Act 2012. The legislation requires that public bodies are required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area.

More recently the National Procurement Policy Statement (2021) sets out national priority outcomes for social value. It places emphasis on creating new businesses, new jobs and new skills; tackling climate change and reducing waste, and improving supplier diversity, innovation and resilience.

Whilst there are no direct legal requirements to support local business, the message is clear that a wider perspective of value needs to be considered in the procurement of our goods, works and services. Historically, the Council took a more focussed view of value for money based on direct costs and market dynamics. The present Administration have shown a keen interest in expanding that perspective where it can be demonstrated to deliver some of the following benefits:

- Support the recovery from Covid and stimulate prosperity in local areas through the direct or indirect investment in jobs, training, plant, community etc.

- Relieve pressure on other Council services as employment grows and wealth increases in Borough.
- Reduce commercial property voids contributing to a nicer area and promoting business rate growth.
- Support net carbon zero ambitions by reducing travelling time from out of Borough providers and contractors commuting into Hillingdon.
- Encourage successful businesses to tender for work outside of the Borough and further promote success of Hillingdon business.

## Risks & Challenges

Whilst the benefits of increased engagement and support of local businesses are clear, they do not come without some risks:

- If all other boroughs take a similar approach to Hillingdon, it will reduce the opportunity for Hillingdon business to win contracts with other local authorities.
- The make-up of SME's in the Borough is not guaranteed to offer the range or number of companies that are required to meet our requirements or to provide sufficient competition. By targeting local businesses, we may also miss opportunities for innovation and value added that exist in the wider marketplace.
- Increased risk of fraud or poor practice due to the potentially close relationships that might develop with friends and family of Hillingdon employees.
- Whilst there is an aspiration to work with small businesses, there needs to be a pragmatic approach as to how feasible that is. Whilst it depends on the specific requirement, some micro business (those with 10 or less employees) will be too small to support Hillingdon without significant moderations to the packaging, tendering or contract management process.
- There are different interpretations of what defines a 'local business' but agreeing the definition is central to our approach. Is it one that has its registered office in Hillingdon? Or one that has an operational office in the Borough? Is it an SME or does it include large businesses? Or can it just be where the majority of staff, employed on the contract, live in the Borough? Or a company with its offices and operations just the other side of a Hillingdon boundary?

For the purposes of progressing the issue in the short term we will use the definition from Procurement Policy Note (PPN 11/20) which is: *“Having a registered office, factory or other permanent base in that location from which meaningful business operations have been conducted for at least 12 months.”*

## **Success Stories**

Hillingdon engage every day with local businesses and the following is a list of some of the success stories:

- RMT Tyres, West Drayton – Fleet tyres install and maintenance c.£125k
- Drayton Fencing, Hillingdon – Fence installation and repair across the Borough c.£400k pa
- The School Renovation Company, Eastcote - Design & Construction of the Trim Trail at Barra Hall, £94k
- Beam Construction, Longford – Various construction and maintenance related contracts c.£340k
- Xerox, Uxbridge – Civic Centre printing devices - £120k pa
- Charman Environmental, West Drayton – Specialist cleaning services - £300k pa
- APCOA Parking Services, Uxbridge - £1.9m pa
- Carers Trust Hillingdon - Carer Support Services - £656K pa

Further reporting by postcode is currently being developed to build longer term metrics on spend with suppliers by postcode.

## **2 – HOW ARE WE SUPPORTING THE MOVE TO INCREASED ENGAGEMENT?**

### **Updated tender documents / procurement portal**

LBH is bound by Public Contract Regulations and a requirement to manage commercial and legal risks on behalf of the Council. These require us to go through a specific process in our tenders and ask questions that some may see as excessive. We have recently reviewed our tender documents with external legal support to simplify and remove duplication where possible. This will benefit all businesses and, in a world of supply chain challenges, support Hillingdon in being a client of choice.

A review of tenders below £189k (the statutory tender level) is currently underway with a view to developing a risk-based approach to document selection. This will allow the tender and quotation process for lower value, lower risk requirements to be tailored in a way that will level the playing field for SME's.

### **Way in which we package our requirements and ask tender questions**

Where we have a requirement that officers believe could be met by local businesses, it is important that we take steps at the pre-tender phase to support that to happen through the

development of our specifications, tender documents and the way in which we package our requirements. This will help level the playing field with those larger businesses and those who are more proficient at responding to local authority contract opportunities.

For example, if we know that there are smaller providers in the Borough for roofing works, then we need to reduce the size of requirements down to a level which will be achievable for them but viable for Hillingdon. Equally, we need to be careful in our selection of questions. Larger providers are adept at answering the plethora of questions that get asked from Social Value to Equality to GDPR. Without specialist bid teams, smaller local providers are not as proficient and whilst they can 'do the job' they may fall down in these specific areas.

This remains a balancing act for officers as there is an expectation that a level of due diligence of LBH supply base is undertaken. There is also a value for money risk that comes with disaggregating requirements too far.

### **Actively identifying and seeking out local suppliers including a one bid local policy**

Procurement officers operate a one bid local policy which means that officers are actively seeking bids from local suppliers in all tenders and quotations. This is not possible in all circumstances (e.g. IT, specialist construction etc) but does provide opportunity for local businesses and encourages engagement by the Procurement team.

Whilst this does not automatically translate into more local contract awards, it provides opportunity and increases engagement.

It should also be noted that given the geographic make up of Hillingdon and the heavy prominence of Heathrow in the south of the Borough, businesses have a strong trading focus on aviation. This means that many of the other services that the Council wants to procure (property maintenance, facilities, social care etc) are not always well represented.

### **Local business support consultancy**

Not all businesses are able or willing to bid for Council contracts. Some lack the interest or are already operating at full capacity. However, others may be genuinely interested but lack the skills, knowledge, capacity etc that is required to bid for Council contracts. There has been some engagement with the Local Chamber of Commerce to progress the agenda, but this has not resulted in any tangible outcomes to date. The Council is exploring options with a business advisory consultancy – Branduin, that could potentially be used to support local businesses.

The typical programme that they run is multiphase over a period of 9-12 months and begins with a capability assessment (including individual feedback) for any local business which wants to participate in the programme. It includes training sessions (bidding skills and sales enablement) and 40-60 businesses with high potential are then targeted for 1-2-1 coaching sessions to support their development. There is also the potential, subject to feedback and demand, to run a 'meet the buyers' event.

Hillingdon have recently engaged Branduin to undertake a Supply Chain Programme, supported by Segro and Barratt Homes to submit tenders and win live contracts with Volker Fitzpatrick at Segro Hayes Park Development (the former Nestle site).

A proposal will be put forward for consideration by Cabinet Member(s) when complete.

### **Developing the local market and suppliers**

Given the business demographics in the Borough and the prominence of the aviation sector, Procurement officers are also trying to develop local providers.

One example is in relation to our requirements for Occupational Therapists (OT's). The services are primarily outsourced at a contract cost of c.£600k pa. Like many business sectors currently recruiting sufficiently qualified staff is challenging and impacts on operational delivery.

Procurement Officers have identified that Brunel University has an OT course and have been engaging with them to create a pathway for new graduates to work with our contracted suppliers or establish if there is any interest in a new enterprise that might begin to deliver a service for the Council. These conversations are currently continuing but is the sort of innovation with local partners procurement want to encourage.

### **Reserving contracts**

In a Procurement Policy Note last year (PPN 11/20) the Government provided the opportunity for Contracting Authorities to reserve below value threshold contracts for local businesses and / or SME's. However, there has been some debate externally over the legality of this as it contradicts the Local Government Act 1988 which contains a clause to prevent the development of internal markets.

A couple of tenders had been earmarked as a good opportunity to reserve for local contractors – one for Phase 8 of the Kitchen and Bathroom replacement programme and one for home buyer surveys. These are currently on hold pending an internal review of risk.

### **3 – NEXT STEPS**

Over the coming months, there will be a continued operational, tactical and strategic drive to further develop our support for local businesses including:

- Continuation of current approach - Officers will continue with the activities noted above, developing and flexing to meet the specific and unique requirements of each tender.
- Promotion and comms - We need to be more active in engaging local businesses, using media channels such as LinkedIn and Hillingdon people. There is also a requirement to promote internally so officers are aware of the impact of their specifications and lot size on our ability to engage locally.

- Update Procurement pages on the Council website – This will need to contain information for all businesses but specifically our ambitions to engage with local business and how they can bid for contracts.
- Customer of choice - Continuing to make ourselves an attractive proposition for suppliers so that business wants to work with LBH and we understand what is preventing local suppliers from participating or winning Council contracts.
- Broader perspective of Social Value - Align our work on support for local businesses with other priority areas such as skills, innovation and net carbon zero.

### **Implications on related Council policies**

None at this stage.

### **How this report benefits Hillingdon residents**

The benefits of engagement with local SME's are noted at the start of the report. This report seeks to share the progress made and opportunities to progress. Input from Councillors based on their experience and discussion with residents and / or business owners is welcome.

### **Financial Implications**

None at this stage.

### **Legal Implications**

Hillingdon needs to remain within the law with regards to its engagement of local businesses and ensure continued compliance with the Public Contract Regulations.

### **BACKGROUND PAPERS**

None.