

# Policy and Sustainability Committee

10.00am, Thursday 25 June 2020

## Council Support to Small Businesses

<b>Executive/Routine Wards</b>	Executive All
<b>Council Commitments</b>	2, 3 and 7

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes the content of this report, which has been submitted in response to the motion by Councillor Cameron that was approved by Council on 21 November 2019.

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## Council Support to Small Businesses

### 2. Executive Summary

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- 2.1 On 21 November 2019, Council agreed a motion by Councillor Cameron in connection with Small Business Saturday. In doing so Council agreed that a report be brought to a future meeting of the Committee setting out details of the spend by the Council and its ALEOs with small businesses, including social enterprises, and covering the barriers that exist to such organisations supplying goods and services to the Council and its ALEOs, and the policy and procedural changes that would be necessary to overcome those barriers.
- 2.2 This report provides the requested information. In particular, the Council's spend with small business in the 2019/20 financial year was approximately £155.6m, this being a combination of both capital and revenue spend. This equates to approximately 22.7% of the total third party spend, of approximately £684m. This is an increase on the 2018/19 figure of 21.18%. It is to be noted, however, that the Council does not hold data for its ALEOs' spend with such organisations.
- 2.3 This report also provides an overview of how the Council already seeks to support small businesses in its procurement activity, and future planned actions.
- 2.4 The Committee is advised that this report does not respond to the recently approved Motion from Councillor Cook on the Support for Local Business Campaign and this will be the subject of a separate report to the Committee from the Executive Director of Place on 23 July 2020.

### 3. Background

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- 3.1 On 21 November 2019, Council agreed a motion by Councillor Cameron in connection with Small Business Saturday. In doing so, Council agreed to (i) proactively and visibly promote, support and publicise Small Business Saturday 2019, during the run-up to, and on that date, which was Saturday 7th December 2019, and (ii) a report being brought to a future meeting of the Committee "setting out (a) The level of procurement by £ and by service area currently awarded to small business, including social enterprises, by the Council and its ALEOS; (b) What if any, barriers exist to small business and social enterprises in terms of being eligible to bid to provide goods/services to the Council and its ALEOS; and (c) What

policy and procedural changes would be necessary to enable any barriers to be overcome?”.

- 3.2 The Council duly promoted, supported and publicised Small Business Saturday 2019. For the 2020 event, as in previous years, the Council and the Business Gateway service will collaborate with partner business support agencies, such as the Federation of Small Businesses, the Edinburgh Chamber of Commerce and others to drive footfall and spend to support small businesses, and by promoting the event through media channels and the existing programme of workshops and seminars. Depending on trading conditions, and the impact of the COVID-19 outbreak, plans will be kept under review, for instance there might be additional focus to support businesses to embrace digital trading.
- 3.3 The Business Gateway service supports over 4,000 local businesses each year to start-up or grow and the team has a combined network of over 7,000 contacts, to assist businesses to get the support they need from a large network. It also helps businesses make connections and links to a number of useful organisations such as Scottish Enterprise, Skills Development Scotland, Visit Scotland, Interface, First Port, Just Enterprise and Women’s Enterprise Scotland. It also has a dedicated Social Enterprise Adviser and runs a Women in Business programme.

## 4. Main report

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### **Council’s Third Party Supplier Spend**

- 4.1 By way of context, and with the data for 2019/20 still being finalised, the Council’s spend with third party suppliers in 2018/19 was approximately £634.8m, this being capital and revenue spend. Of that figure, the Small and Medium Enterprise (SME) spend was 47% of total core spend, being those suppliers, the Council has spent more than £1,000 with.
- 4.2 In addition, the [Local Government Benchmarking Framework](#) figures for 2018/19 recorded the Council’s percentage of procurement spend with local enterprises as being 41.8%, an increase from the 37.6% recorded in 2017/18. Of all local authorities the Council is the highest of those solely located on the mainland, well above the average of 28.7%, and the 5<sup>th</sup> highest of all Scottish local authorities.
- 4.3 The motion approved by Council called for a report that detailed the level of procurement by value and by service area currently awarded to small businesses, including social enterprises, by the Council and its ALEOS. As matters stand, the manner in which spend with particular categories of supplier, and particular sectors, is recorded is fixed, and the Council is currently not able to readily report on spend with social enterprises, which is not separately categorised in the data set. There can also be differing views on how small businesses should correctly be identified, for example whether size should be determined by sales volume or numbers of staff. For the purposes of the Council’s data it is based upon the number of staff, with small being deemed those businesses having up to 49 employees.

- 4.4 The Council is not able to report on its ALEOs' spend with such organisations, given that we do not hold this data. It should also be noted that the Council's ALEOs generally undertake their own procurement activity.
- 4.5 The data from 2018/19 discloses that the Council's spend with small business in that financial year was approximately £134.5m. This equates to approximately 21.18% of the total third party spend in that financial year.
- 4.6 The data for 2019/20 is still being finalised at present. However, the Council's spend with small business was approximately £155.6m for 2019/20. This equates to approximately 22.7% of the total third party spend, of approximately £684m, a small increase on the 2018/19 figure. These figures include both capital and revenue spend.

Directorate	Invoiced spend with small businesses in 2018/19	% of total spend with small businesses
Chief Executive	£707,994.68	1%
Communities and Families	£47,661,375.61	35%
Health and Social Care	£30,407,020.70	23%
Place	£34,477,869.37	26%
Resources	£21,280,750.34	16%
Grand Total	£134,535,010.70	100%

Directorate	Invoiced spend with small businesses in 2019/20	% of total spend with small businesses
Chief Executive	£828,564.13	1%
Communities and Families	£46,510,473.21	30%
Health and Social Care	£30,994,299.02	20%
Place	£50,719,107.16	33%
Resources	£26,523,242.79	17%
Grand Total	£155,575,686.31	100%

### **Council's Sustainable Procurement Strategy**

- 4.7 The Council has a clear strategic vision for its procurement activity, with a key element being support to local small businesses and the third sector. On [5 March 2020](#), the Council adopted its new five year Sustainable Procurement Strategy (the Strategy). The Strategy places sustainability at the heart of the Council's procurement programme for the next five years, to ensure that the Council's

considerable spending power is used to promote those economic, environmental and social outcomes that support growth, and simultaneously assist the Council in addressing the challenges that the city is facing. The Strategy takes account of the opportunities and challenges facing the city, in addition to the financial challenge facing all local authorities and identifies seven key strategic procurement objectives that would be promoted. One of these strategic objectives is to make procurement spend more accessible to local small businesses and the third sector.

- 4.8 As referred to in the motion, and as some respondents expressed during the consultation process on the Strategy, there are concerns within the small business/social enterprise community that public sector procurement processes create barriers to them becoming suppliers to the public sector. These concerns are not specific to the Council, but of public sector procurement more widely. In general terms, these barriers can be summarised as a concern that public sector procurement processes are overly time-consuming and complicated, and by their nature favour larger more established organisations.
- 4.9 Clearly, given the nature of the services and projects delivered by the Council, there will be instances where only large businesses can meet the Council's requirements, and secure Best Value. It must also be borne in mind that seeking to increase the opportunities for SMEs will also mean increasing the number of suppliers the Council has, and so increasing service area contract management responsibilities.
- 4.10 Members will be aware that in recent years there has been a wide-ranging review of the legislative framework that governs public sector procurement. This includes the [Procurement Reform \(Scotland\) Act 2014](#), the [Public Contracts \(Scotland\) Regulations 2015](#) and the [Procurement \(Scotland\) Regulations 2016](#). There is also Scottish Government [guidance](#), and related [Scottish Procurement Policy Notes \(SPPNs\)](#), on how the legislation should be applied.
- 4.11 Public sector procurement is highly regulated, and non-compliance exposes the Council to the associated legal and financial risk. In addition, when assessing how the Council might support certain sectors in bidding for Council contracts, it must also be recognised that it is a fundamental principle of regulated procurements that the Council must comply with the general obligations of equal treatment, non-discrimination, transparency and proportionality, with procurements not being designed with the intention of unduly favouring or disadvantaging any potential tenderer. However, one of the intentions of the legislative review was to assist small businesses and other organisations in successful bidding for public sector contracts, as well as otherwise looking to increase the wider social and economic benefits that can be delivered through procurement activity. These, and other obligations, are captured in the sustainable procurement duty that the Council has, and that is included in statute. These duties have, in turn, informed the Strategy.
- 4.12 As a result of these legislative changes, and improved procurement activity within the Council, the spend data referred to above is supported by a number of actions and processes which are now embedded in the Council's procurement activity and its [Contract Standing Orders](#), and intended to assist those smaller organisations bidding for Council contracts, these include the following, namely:-

- 4.12.1 Under its sustainable procurement duty the Council must consider how its procurement processes can facilitate the involvement of SMEs, third sector bodies and supported businesses;
  - 4.12.2 If a contract opportunity is above a certain financial threshold and could be awarded in the form of separate lots but is not, then the reasons for this must be explained in the procurement documentation; and
  - 4.12.3 Under the Contract Standing Orders, the Council will seek to ensure, where permitted by law, that for contracts with a value of £50,000 or less at least one SME from the city, or an SME which is a significant employer within the City, is invited to tender.
- 4.13 The Council is committed to supporting its SMEs and third sector organisations. Some supports are already found on the [Suppliers and Contractors](#) pages on the Council's website. However, in addition to the above, and as set out in the Strategy, the Council aims to increase the spend with these sectors in a number of ways, building upon existing practices, provided that Best Value can also be secured. Examples of such further activity includes:
- 4.13.1 Increasing engagement and collaborative working with these sectors, including through workshops with EVOC, Partnership for Procurement and others, and by supporting awareness raising events, such as the Fair Trade Supplier and "Meet the Real Buyer" events held by the Council at Waverley Court, respectively, in February 2020 and May 2019;
  - 4.13.2 Continuing to support the [Supplier Development Programme](#) by Council staff offering free training to its members, the SDP being a partnership of local authorities, Scottish Government and other public sector bodies that offers support to SMEs in all aspects of public sector tendering;
  - 4.13.3 Working with Council ALEOs and other key stakeholders, such as City Region Deal Partners, to support these objectives;
  - 4.13.4 Ensuring that procurement processes are not inherently disadvantageous to such organisations, for instance looking to include proportionate and reasonable financial probity assessments and minimum insurance requirements, which protect the Council but are also not needlessly excessive for bidders;
  - 4.13.5 Continuing to apply suitable lotting strategies that support such organisations, facilitating sub-contracting opportunities and, where appropriate, considering longer contract advertising period where consortia opportunities exist, as well as also exploring alternative advertising routes to those not registered on Public Contracts Scotland; and
  - 4.13.6 Continuing to offer feedback to those who are unsuccessful in bidding for Council contracts.
- 4.14 The impact of the COVID-19 pandemic has made the need to actively support local small businesses even more important. The work outlined in this report will also form part of the Sustainable Economic Recovery strand of the Council's [Adaption and Renewal Programme](#). Officers from the Council's Commercial and

Procurement team are actively supporting that work, which will help ensure that ongoing and future procurement activity is aligned to that.

- 4.15 In such times, the importance of prompt payment becomes even more vital. As set out in the Strategy, the Council already, in normal times, pays approximately 95% of valid invoices within 30 days. In response to the COVID-19 outbreak Banking and Payment Systems moved to daily payment runs (previously they were carried out twice a week), changed payment timescales so that invoices are now paid within 10 days, and where they are made aware of suppliers having cash flow issues they will look to assist by processing invoices immediately and arranging urgent payments once they are approved by service areas.
- 4.16 The UK leaving the European Union might result in a review of the legislative framework governing public sector procurement. It is, however, to be noted that the separate Scottish regime could, potentially, result in a divergence of approach from elsewhere in the UK. The Council will positively engage in any such review, to seek to maximise the potential of this framework for the benefit of the Council and the city's businesses.

## **5. Next Steps**

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- 5.1 The Strategy's action plan is being managed by CPS, and performance against the Strategy will be reported annually to the Finance and Resources Committee. The next annual report will be brought forward to Committee in late summer/early Autumn 2020.
- 5.2 The work on the Sustainable Economic Recovery strand of the Adaption and Renewal Programme will also be the subject of a future report to the Committee.

## **6. Financial impact**

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- 6.1 There is no direct financial impact from the approval of this report. However, implementation of the Strategy should deliver financial and non-financial benefits to the Council, as well as the city and its businesses. In particular, the Strategy includes a target of £10m of new procurement and contract management savings being secured each financial year.

## **7. Stakeholder/Community Impact**

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- 7.1 In developing the Strategy consultation was undertaken internally and externally by CPS, this included input from key stakeholders including the Federation of Small Businesses, Edinburgh Social Enterprise, Edinburgh Poverty Commission, Edinburgh Voluntary Organisations Council, Council suppliers, Council service areas and through a public consultation via the Council website.

- 7.2 As noted above, the Strategy identifies seven key strategic procurement objectives that will be promoted through the Council's procurement activity. These objectives are aligned to the Council's priorities, and if delivered will have a positive impact upon the city, its citizens and its businesses. In particular, the Strategy aims to make the Council's external spend more accessible to local small businesses and third sector, to improve Fair Work practices adopted by Council suppliers and to increase the community benefits delivered by Council suppliers. The Strategy also aims to contribute to the Council's 2030 carbon-neutral city target.

## **8. Background reading/external references**

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- 8.1 [2019 Annual Procurement Report](#)
- 8.2 [Sustainable Procurement Strategy 2020 - 2025](#)
- 8.3 [Business Gateway Edinburgh](#)

## **9. Appendices**

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