

Public Procurement

How does public sector purchasing work?

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Introduction:

True or False?

Introduction – some facts

- “Procurement” is the process by which an organisation awards contracts for goods, services, works and utilities.
- UK public sector procurement is worth over **£200 billion** per year, with local authority spend accounting for around **£60 billion** of this.
- Durham County Council is one of the largest local authorities in England, with an annual procurement spend of over **£500 million**.

True or False?

- Different people – businesses, politicians, members of the public - have varying perceptions of public procurement.
- Some elements of public procurement are well understood, especially by suppliers who do business with the public sector – but there are many myths and misconceptions.
- Let's see what you think!

True or False?

“Public sector contracts are always awarded to the cheapest bidder”

– *True* or *False*?

True or False?

The answer:

“Public sector contracts are always awarded to the cheapest bidder”

FALSE

- While public bodies such as the Council are interested in value for money – “value” isn’t the same as “cheapness”. Sometimes the lowest cost isn’t the best solution.
- Most of the Council’s contracts are awarded on the basis of a balance between **price** and **quality**.

True or False?

“EU procurement law principles only apply to high-value contracts, above a certain financial threshold”

– *True* or *False*?

True or False?

The answer:

FALSE
“EU procurement law principles only apply to high-value contracts, above a certain financial threshold”

- Although the full EU tender rules only apply to procurement above the relevant thresholds, there are some basic principles that apply to all procurements, including:
 - **Transparency** – contract procedures must be transparent, and contract opportunities should generally be publicised.
 - **Equal, Non-Discriminatory Treatment** – treating all potential suppliers equally and without bias.
 - **Proportionality** – procurement procedures and decisions should be proportionate to the scale, value, and risk involved.

True or False?

“To promote local economic growth, the Council can restrict some contracts, so that only local firms can bid”

– *True* or *False*?

True or False?

The answer:

“To promote local economic growth, the Council can restrict some contracts, so that only local firms can bid”

FALSE

- As much as we like to see local companies doing well, going this far would breach the basic EU Treaty principle of **non-discrimination**.
- The same would be true if we attempted to restrict a tender so that only charitable organisations, for example, could bid for it.
- What we can do is take steps to make sure our procurement process doesn't **disadvantage** local suppliers, so they have every possible chance to win contracts.

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- **We can also take steps to open up supply chain opportunities for small and local suppliers.**

True or False?

“The *majority* of the Council’s procurement spend is with companies based in the North East”

– **True** or **False**?

True or False?

The answer:

“The *majority* of the Council’s procurement spend is with companies based in the North East”

TRUE

- In 2013-14, **68%*** of our procurement spend was with suppliers based in the **North East** region.
- Just under half of our total spend - **45%** - was with **County Durham** based organisations.

** Based on £357 million spent with North East firms, from a total spend of £525.1 million.*

The Law - How is public sector procurement different?

- There are many things in common between private and public sector procurement – both are interested in obtaining good quality, value for money outcomes – but there are some key differences.
- Public procurement is governed by rules that private sector procurement is not. Chief among these for UK public sector organisations are:
 - **Public Contract Regulations 2015**
 - **EU Treaty Principles**
- The legislation aims to ensure that procurement is conducted in a way that is open, transparent, fair and represents equality of opportunity for all suppliers – whether local to the procuring organisation, based elsewhere in the UK or in the wider EU.

“Social Value”

Public Procurement and Social Value

- In 2013, the **Public Services (Social Value) Act** came into force.
- The Act places a duty on public bodies to consider, for every procurement over the EU threshold, how that procurement ***“might improve the economic, social and environmental well-being of the relevant area”***.
- The Act only applies to contracts for **services**.
- However, Durham’s policy since 2013 has been to apply it to all contracts – including those for **goods** and **works** as well as services.

Public Procurement and Social Value

- So on the one hand, we aren't allowed to specify local suppliers, or be biased in their favour.
- But on the other hand, we have a duty to use our procurement activity to ***“improve the economic, social and environmental well-being of the (local) area”***.

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- But on the other hand, we have a duty to use our procurement activity to ***“improve the economic, social and environmental well-being of the (local) area”***.
- If we can't do that by simply choosing local suppliers every time.... then how can we do it?

Public Procurement and Social Value

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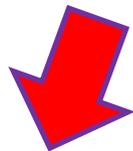


Economic well-being could be improved by:

- ✓ Creating or supporting local **employment** opportunities
- ✓ Ensuring procurement opportunities are accessible to **local bidders**, including SMEs, as possible
- ✓ Opening up further **supply chain opportunities** for local firms (including local food suppliers?)

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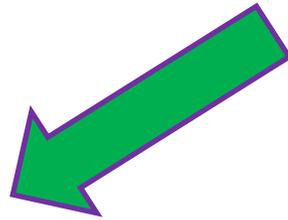


Social well-being could be improved by:

- ✓ Supporting **training** opportunities for **disadvantaged** groups such as disabled persons, long-term unemployed, and ex-offenders
- ✓ Ensuring procurement opportunities are accessible to **third sector** organisations and **social enterprises**
- ✓ Engaging the support of suppliers for wider community initiatives.

Public Procurement and Social Value

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- But on the other hand, we have a duty to use our procurement activity to *“improve the economic, social and **environmental** well-being of the (local) area”*.



Environmental well-being could be improved by:

- ✓ Reducing the **CO₂** impact of the contract
- ✓ Ensuring sustainable sourcing of goods
(specifying sustainable fish for example!)
- ✓ Reducing **waste** associated with contracts
(including, for example, food waste)

**“What’s all this got to do with
sustainable local food?”**

Public Procurement, Social Value.... and Sustainable Local Food?

- Despite the restrictions sometimes imposed by procurement law, Durham County Council, and some of our partners, have had a commitment to sustainability in procurement for some time.
- We have been able to secure a number of successes both in terms of **local supply chain**, and wider food sustainability.

Case Study: School Catering

- In 2013 we went out to tender for a contractor to provide **school meals** in over 200 primary schools in County Durham.
- Key to the tender process was an assessment of the added value that could be offered by bidders – over and above the core provision of healthy meals for pupils at a competitive price. There was a particular focus on seeking commitments to use local produce, reduce food waste, and create and support targeted employment and training opportunities.
- The successful bidder, **Taylor Shaw**, committed to several added social value initiatives, including...



Case Study: School Catering....

- Subsidising the cost of **meals for nursery pupils** and working with schools to increase school meal uptake, seeking to ensure that all young children sit down to a healthy, cooked meal during their school day.
- Supporting **apprenticeships** (and shorter **work placements**), and working with the Council's Employability Team to deliver these.
- A requirement that all meals would be based on **fresh** food from raw ingredients, cooked daily on site.
- A commitment to increase in the proportion of **local, seasonal produce** being used.
- A commitment to reduce the amount of **waste** by 60% over the lifetime of the contract.

Case Study: Local Milk and Eggs



- Since 2009 the Council has specified **free-range eggs** only.
- At the same time, we looked at barriers that might make it difficult for local **dairy** and **egg** producers to do business with us.
- We identified that local producers may lack the **delivery** capacity to service all our sites – despite having sufficient **production** capacity.
- The solution was to allow those producers to contract with us on a “supply only” basis – with an agreement that we would negotiate a separate delivery arrangement.
- This resulted in contracts with local suppliers that may otherwise have been unable to win our business - **Embleton Hall** dairy and **Sunny Hill** eggs (since merged with **Lintz Hall Farm**). Deliveries were arranged via our fresh fruit & veg contractor, **J.R. Holland**.
- In 2013 these contracts were renewed, with both Embleton Hall and Lintz Hall being retained via a more formal sub-contracting arrangement with J.R. Holland.

Other steps towards Sustainable Food

- We continue to work with our main fresh produce suppliers, **Freeman Catering Butchers** (fresh meat) and **J.R. Holland Food Services** (fresh fruit & vegetables) to ensure that as much of our fresh purchasing is based on seasonal, local produce.
- Both suppliers have also taken steps to increase the sustainability of their operations, for example in terms of the CO2 emissions of their vehicle fleets.

Other steps towards Sustainable Food

- The Council has recently updated its **Sustainable Procurement & Social Value Policy** to include a commitment to support the County Durham Food Partnership's **Sustainable Local Food Strategy**.
- We have just published a clear **Sustainable Buying Standard** for food which commits us to:
 - ✓ Ensuring high standards of animal welfare,
 - ✓ Giving additional preference to seasonal produce,
 - ✓ Specifying fairly-traded foods where relevant,
 - ✓ Continuing to respond to opportunities to include local producers in the supply chain,
 - ✓ Sourcing sustainable fish, and supporting the Sustainable Fish City campaign for Durham City.

Any Questions?

