



22nd January 2013

Agenda Item: 4

REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY

CONSTRUCTION SUPPLY CHAIN DEVELOPMENT

Purpose of the Report

1. To offer the Committee an update on the construction industry *Supply Chain Readiness Network* project delivered by Firefly Online.

Information and Advice

2. Nottinghamshire County Council are members of the East Midlands Property Alliance (EMPA), a consortium of local authorities working together to improve the delivery of property services to their communities. Scape System Build is the managing agent for EMPA.
3. Firefly Online Limited, a small but expanding local company, were originally commissioned by Scape System Build to set up a database for the construction industry. This database would enable local business to register their details, ensure they met industry and public sector standards, and be considered as subcontractors for large framework contracts.
4. A number of authorities were approached by Firefly and Scape to further develop the database. This increased support would involve personal contact with businesses which had either failed or not completed the registration process, due to a lack of knowledge or skill, or lack of time or awareness of the benefits of being registered. Initially, Nottinghamshire County Council was the only authority to support this, with funding of £10,000 in 2011-12. This funding resulted in a increase from 243 to 357 of the number of businesses registered (+52%), and an increase from 139 to 240 (67%) of those being pre-qualified to do public sector business, bringing up to £900k into the Notts economy. Following this success, a further £10,000 of work was commissioned from Firefly, to continue to recruit and up skill local businesses to join the supply chain (SME development), and a new strand, to work with the first tier contractors to identify how and why they made their subcontracting decisions (improving competitiveness).

SME development programme

5. From May 2012 Firefly have continued to target businesses with Nottinghamshire postcodes, to raise awareness of public sector procurement requirements and offer group and one to one support to local businesses.
6. The database has three categories for businesses; green, white and red.
 - Green status shows commissioning bodies that the SME in question has successfully completed a pre-qualification questionnaire (set by commissioning Main Contractors) and is considered suitable for employment on public sector works.
 - White status shows that basic company data has been input into the system, but the information is 'incomplete' by the users of the system.
 - Red status shows that an SME has attempted the questionnaire and failed to complete it. The SME is reminded that they are not properly registered, and Main Contractors can see that this SME has not yet pre-qualified
7. Only SMEs with green status in the EMPA programme are likely to obtain work. The whites and reds exclude themselves by not pre-qualifying and they are the target audience for this programme. The SME Development part of the project targets red and white SMEs in an attempt to motivate those that need guidance to complete the questionnaire (and attain green status) and to provide more specific help for those that need it.
8. A range of targeted approaches specific to those businesses with red or white status and Nottinghamshire postcodes was devised and delivered including;
 - Letters to all red status businesses identifying the action needed and giving specific guidance and a telephone helpline number, followed up with emails and phone calls.
 - Emails to white SMEs emphasising their status and the EMPA procurement process.
 - One to one development discussions with SMEs in completing or improving their registration and EMPA PQQ.
 - Providing a telephone help line and online help desk to help with basic questions and procedural issues. All those that contacted Firefly reached green Status.
 - Attending Meet the Buyer events, providing help, information and support and communicating the importance of full registration and completion of the PQQ
 - Face to face meetings where appropriate to explain the improvements that SMEs can make to their own profiles at zero cost.
 - Identifying companies who had ceased trading or left EMPA programme for other reasons

Results

9. The project has been successful in both converting red and white companies to green, and also recruiting new companies to register on the database. The results can be summarised as follows;
 - 42 more businesses are now pre-qualified to do business with the public sector
 - 4 red SMEs turned green (17%)

- 10 white SMEs turned green (16%)
- 79 new businesses have joined the programme

SMEs that were no longer trading were also identified. The project has identified that the most effective method of communication is face-to-face as in 'Meet the Buyer' events where the registration process can be well explained, and help and advice given.

Improving Competitiveness

10. Local businesses have often stated, through channels such as the construction forum, that they are registered on the database but not getting work. The second part of the project concentrated on gathering information to understand the selection criteria favoured by Main Contractors (MC) when selecting sub-contractors (SC) from the EMPA supply chain and to inform the sub-contractors of those criteria with a view to improving their visibility and success in the bidding process.
11. Research was carried out to establish how Main Contractors decide how they award subcontracts. A second strand to the research would be to establish whether SME's have the same perception as the Main Contractor of what constitutes success. A total of 15 main-contractors (MCs) and 18 sub-contractors (SCs) completed their respective questionnaires.
12. Online questionnaires were devised, one for main-contractors and one for sub-contractors. The questionnaires posed two fundamental issues for discussion; MCs were asked questions concerning the criteria they used to select SCs for inclusion on a bidder or tender list and the criteria they used to select the successful bid (also known as a tender). SCs were asked what criteria they thought the MCs used. The results were then compared.

Results

13. The results of the questionnaires showed a number of areas where the criteria for selection was **well understood** by potential subcontractors;
 - Track record, expertise, trade experience, industry reputation, previous successful working relationship, and environmental sustainability experience were considered by both to be highly important
 - The key reasons for early dismissal from a contract were fairly well understood to be 1) H&S, 2) Poor quality work, 3) Contract not being met and 4) Poor customer care.
 - Years of Trading required was considered by both to be 2 to 5 years, although MCs have expressed that evidence of the supplier's capabilities carries more weight.
 - Pre-Qualification Questionnaire was felt by most MCs to be useful; although some feel that its value is limited and put their supply chain through their own PQQ process following EMPA registration. The point was raised that the PQQ doesn't refer to start-up businesses, and can often be unsuitable for consulting companies.

14. There were a number of areas where the criteria for selection was **not well understood**;
- Areas which MCs scored as very important and SCs did not include; EMPA registration, quality of project supervision, the supplier's close proximity to the work site, the location of the SC *registered office* in relation to work site (retaining income in the local community), innovation, grammar and presentation
 - MCs' favoured methods for selecting SCs into a project supply chain are: word-of-mouth, references, Meet-the-Buyer events and formal meetings. SCs use EOs, work experience, networking and email.
 - MCs voted Track Record, Financial Resources and H&S as the top 3 criteria for selection. SCs voted Competitive Price, Track Record and Efficiency of Delivery as the top 3 criteria considered by MCs, demonstrating that SCs undervalue H&S, and feel that lowest price drives successful bidding.
 - Marketing methods preferred by MCs include: References/ recommendations, procurement sites, trade forums, Working Partnerships, sending marketing materials including a portfolio, and attending Meet the Buyer events (face-to-face).

Other Options Considered

15. There are no other options applicable to this report.

Reason/s for Recommendation/s

16. This report is offered to update the Committee on the construction supply chain project and to request consideration of the recommendations for further development.

Statutory and Policy Implications

17. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described in the report.

Financial Implications

18. As the scope of the project has been to add value to an existing database developed by Firefly, and commissioned by an external body, financial waivers have previously been agreed to avoid a procurement exercise, which would be both costly and delay the implementation of the project. Consideration of any funding for further development would need to take into account whether further financial waivers could be granted.

RECOMMENDATIONS

That members consider the details of the report and the option to implement the specific recommendations as detailed below;

1. The findings from the improving competitiveness programme to be disseminated to all registered companies from Nottinghamshire County Council by email (communications from Firefly may not carry as much weight / may be deleted without reading)
2. Further communications be sent from Nottinghamshire County Council to red and white suppliers to remind them of the need to complete the EMPA PQQ.
3. A series of workshops based on these findings be delivered to businesses. Workshops could be offered to other business sectors in addition to the construction sector. This could be facilitated through the Nottinghamshire Business Engagement Group.
4. The importance of full EMPA registration should be better communicated at the point of initial registration. through modifying the existing technology
5. The information in recommendations 3 and 4 be made available on the NCC website

The costs for delivering recommendations 3 and 4 is estimated at a maximum of £10,000, and can be met from existing approvals in the 2012-13 budget.

Report of the Group Manager, Corporate Strategy

For any enquiries about this report please contact: Hilary Porter ext 72146

Constitutional Comments (NAB 10.01.2013)

Economic Development Committee has authority to approve the recommendations set out in this report by virtue of its terms of reference.

Financial Comments (DJK 10.01.2013)

The contents of this report is duly noted, the financial contribution given previously is clearly identified along with the process for tendering of any future funding.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All