

This guidance note is aimed at 'prime' (main) contractors who sub-contract part of their work out to other businesses. It is intended to provide best practice guidance on the working arrangements you should be looking to implement and operate under to ensure sub-contractors are treated fairly.

It is important to be aware that when you are awarded a council contract, the terms and conditions are binding. Depending on the nature of the contract, the council may include specific terms and conditions that relate to sub-contracting, which must be adhered to. Where sub-contractors are to be used, it will depend how closely they will be involved in delivering a contract as to whether the council works with you to set up appropriate working arrangements. Whilst the council does not want to get un-necessarily involved in managing contractors further along the supply chain, it may be deemed critical to the success of the contract to do so, to ensure the effective delivery of the contract.

The council recommends that prime contractors:

- **Advertise sub-contracting opportunities to smaller organisations.** This may be through www.supply2.gov.uk, your own website, or in relevant press. Sub-contractors looking for contract opportunities should log on to the Supplier and Contract Management System (SCMS) at <https://scms.alito.co.uk> in the first instance to find out which organisations have been awarded council contracts.
- **Implement fair and open processes that encourage new suppliers to join preferred supplier lists.** Engaging with new supplier groups not only generates new and innovative solutions but also helps sub-contractors remain competitive, which ensures you are achieving good value for money. The council's efficiency programme means procurers and commissioners are looking for better deals and contracts that offer excellent value for money. It makes good business sense to strive to achieve the same in your own organisation so the whole supply chain is lean, effective and efficient.
- **Implement a proactive and open approach to contract management** to ensure work from sub-contractors remains of a high standard, driving up overall performance. Developing a good relationship with sub-contractors and regularly reviewing their progress and performance helps to resolve issues quickly and ensures the work programme stays on schedule to be delivered on time and to the required standard. The better sub-contractors are performing, the better it reflects on your business.
- **Pass on prompt payment terms to sub-contractors** and encourage them to do the same further along the supply chain. The council offers 30 day payment terms as standard and businesses who qualify under the Small Supplier Scheme¹ receive payment in 20 days. The council encourages you to offer equal or better terms to sub-contractors. Improved cash flow throughout the supply chain helps small businesses remain competitive and sustainable in the longer term.

¹ The Small Supplier Scheme offers suppliers with less than 50 staff and a turnover of less than £10m prompter payment in 20 days, opposed to the standard 30 days. Further information and the application form to apply are available at www.leeds.gov.uk/procurement

- **Ensure contract conditions imposed on sub-contractors are relevant and proportionate to the work they are undertaking.** The terms imposed on sub-contractors should be equal or better than the terms you are operating under working directly for the council. The terms will depend on the nature of the work being undertaken and the associated level of risk. These should be reasonable and justifiable.
- **Ensure sub-contractors employ skilled and experienced workers that have access to training opportunities.** The council expects that contracts are delivered by productive and skilled teams whose work standards meet the satisfaction of our customers. It is the responsibility of prime contractors to ensure that sub-contractors offer their employees access to a relevant training and development programme.
- **Identify and monitor the level of SME² and Third Sector involvement in your supply chains** and share this information with the council. The council has a corporate objective to support the local economy and small businesses where possible (whilst complying with legislation) and is keen to learn how our contractors and suppliers are engaging them in our supply chains. It is important to be aware of this agenda and you could consider including relevant information in future tender submissions to show the added value your business can offer when delivering council contracts.

For further information contact Catherine Farrell, Principal Initiatives & Projects Officer, on telephone: (0113) 24 76972 or email: Catherine.farrell@leeds.gov.uk

Leeds City Council acknowledges the key recommendations in this guidance note are taken from 'Levelling the playing field for SMEs as sub-contractors – Suppliers' guide' © by the Department for Business, Innovation & Skills (2010) www.oqc.gov.uk

² SME is a term used to describe small and medium sized enterprises (businesses) who have less than 250 staff and have an annual turnover less than €50m (£43m) or annual balance sheet less than €43m (£37m)