

AGENDA ITEM 6

Report of:	James Bromiley, Strategic Director Finance, Governance & Support Councillor Chris Hobson, Executive Member Finance, Governance & Support
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Submitted to:	Corporate Affairs and Audit Committee, 26 th September 2019
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Subject:	Procurement Policies, Practices and Financial Regulations Compliance
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Summary

Proposed decision(s)
That the committee notes the report and considers whether it provides assurance that appropriate governance arrangements are in place for commissioning and procurement

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Information	No	No	Non-Urgent

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
Supports delivery of business imperatives where procurement is required.	Supports delivery of Physical Regeneration where procurement is required.	Local commissioning supports the delivery of social regeneration.

Ward(s) affected
All wards

What is the purpose of this report?

1. The purpose of this report is to provide an update of the Council's position with regard to procurement activity over the last financial year including compliance with Standing Orders, practice changes, and contract awards.

Why does this report require a Member decision?

2. The report is necessary as it is within the terms of reference for this committee to have oversight of the Council's corporate governance arrangements.

Report Background

Compliance with Standing Orders

3. The Council has in place the Contract Procedure Rules as part of the Council's Constitution and these provide the governance in respect of procurement practices.
4. The tables below show the thresholds as at 1st April 2018 and 31st March 2019:

WORKS	GOODS/ SERVICES/ CONSULTANTS	LIGHT TOUCH REGIME	TENDERING PROCEDURE
Up to £15,999	Up to £15,999	Up to £15,999	Neither written quotations nor tenders need to be invited. Ensure value for money is achieved using local suppliers where possible.
£16,000 - £1,000,000	£16,000 - £181,302	£16,000 - £615,278	At least 3 written quotations. The quotation system must be used for quotations. Use local suppliers where possible. Tenders can be sought but this is optional.
£1,000,001 - £4,551,413	N/A	N/A	At least 4 tenders must be sought. The Tender advert(s) must be placed on Contracts Finder. The NEPO portal must be used.
Above £4,551,413	Above £181,302	Above £615,278	EU Procedure - OJEU Notice. At least 5 tenders must be sought, ensuring that the tender process complies with the EU Directives. The NEPO portal must be used.

5. Following consideration at LMT approval the lower financial threshold will be changing from £15,999 to £10,000 in October 2019 in order to try and increase contract opportunities for local suppliers as well as further challenging value for money. This update to the financial procedure rules will be done as a delegated decision of the Section 151 Officer.

Brexit

6. If the UK leaves the EU without a deal, the public procurement regulations will remain broadly unchanged after Brexit. In March 2019 the Minister for the Cabinet Office made a Statutory Instrument (SI) which will amend the procurement regulations to ensure that they continue to operate effectively after exit day. The SI will come into force on exit day. For the most part the legal framework for public procurement and, in particular, the different procedures available to contracting authorities and entities will remain exactly the same. One key difference for contracting authorities will be the need to send notices to a new UK e-notification service instead of the EU Publications Office.

Practice Changes

Local Commissioning

7. The monitoring of local commissioning continues to be monitored via the balanced score card and the table below provides a summary of our performance during 2018/19:

Period	Target	Achieved
April – June 18	25%	32%
July – September 18	25%	44%
October – December 18	25%	29%
January – March 19	25%	38%

8. Overall performance has been good with big achievements in Quarter 2 and 4 and has produced an average annual achievement of 36%. The actual spend in monetary terms spent with Tees Valley suppliers is £20,918,845 and of that £10,607,933 was spent directly with Middlesbrough based suppliers.
9. This strategic objective remains with us for 2019/20 with the current target is being increased from 25% to 40%.
10. The Buy Boro campaign will be strengthened during 2019/20 in order to assist us to spend as much as possible with Middlesbrough and Tees Valley based suppliers. There will be a web site developed which will be aimed at local suppliers and procurement events to support the local market will also be held.
11. Local Commissioning is also being supported regionally and the Tees Valley Combined Local Authority are working with the Heads of Procurement across the Tees Valley in order to further promote and monitor local spend.

Monitoring Standing Orders

- Quarterly reports of all spend from the financial system against our contract register are completed by the Procurement Team and used to highlight where Standing Orders may not have been adhered to. This work allows the procurement team to increase contact with all areas of the Council and has helped us identify areas for improvement or tendering opportunities.

Exemptions from Standing Orders

- In accordance with the Contract Procedure Rules, dispensation from Standing Orders can be authorised where criteria is met. During 2018/19 there were 60 exemptions approved.

Directorate	Number of Exemptions
Adults	15
Children's	5
Growth & Place	26
FGS	10
Public Health	4

Contract Awards

- There have been 71 contracts awarded during 2018/19 and there are currently 350 contracts contained on the Council's public contracts registers.

Purchasing cards

- The Council continues to utilise purchasing cards and the annual rebate this year is £41,760 which covers the period Aug 18 to July 19. There are still a number of areas for improvement with the purchasing cards and as such the Commissioning & Procurement team will be undertaking a review which will look ensure we are effectively using the cards and look to continually strengthen process and procedures.

What decision(s) are being asked for?

- That the committee notes the report and considers whether it provides assurance that appropriate governance arrangements are in place for commissioning and procurement.

Why is this being recommended?

- The report is for information purposes and no recommendation is being sought.

Other potential decisions and why these have not been recommended

- Not applicable.

Impact(s) of recommended decision(s)

19. This report provides assurance that procurement guidance is being adhered to.

Legal

20. The Procurement Manager and Principal Solicitor work closely in order to monitor and govern procurement activity, dealing with any issues that may arise. There are no direct legal implications as a result of this report.

Financial

21. There are no direct financial implications as a result of this report, however this report does set out how the Council manages its procurement processes to ensure compliance with financial regulations and standing orders.

Policy Framework

22. Not applicable as this report is for information only.

Equality and Diversity

23. Not applicable as this report is for information only.

Risk

24. There are no direct risks associated with this report; however, compliance with the policies and processes that are in place to support procurement strategies positively influences a number of risks including:

- 08-003 – Lack of support for corporate commissioning and procurement
- 08-011 – Failure to adopt procurement best practice across the Council
- 08-055 – Failure to respond effectively and efficiently to legislative changes

Actions to be taken to implement the decision(s)

25. Not applicable.

Appendices

26. Not applicable.

Background papers

27. No background papers were used in the preparation of this report.

Contact: Claire Walker, Procurement Manager.
Email: claire_walker@middlesbrough.gov.uk