

Report of:	Director of Finance
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Submitted to:	Corporate Affairs and Audit Committee
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Date:	29 September 2022
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Title:	Procurement Overview 2021/22
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	Not applicable
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Why:	Not applicable
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Urgent:	No
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Why:	
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Executive summary

This report provides the Corporate Affairs and Audit Committee with an annual overview of procurement activity undertaken for financial year 2021/22.

Purpose

1. To provide a summary of the Council's procurement activity over the last financial year including compliance with Standing Orders, practice changes and contract awards.

Background and relevant information

2. 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.
3. Public Procurement Notice (PNN) 10/21 – Threshold & Inclusion of VAT was published on 6th December 2021, which notified all Contracting Authorities of the uplift to thresholds and the inclusion of VAT on contract value from 1st January 2022.
4. The inclusion of VAT is due to Brexit and aligns us to all non-members.
5. The table below shows the thresholds as at 1st April 2021 to 31st March 2022, which all procurement is required to adhere to:

WORKS	GOODS/ SERVICES/ CONSULTANTS	LIGHT TOUCH REGIME	TENDERING PROCEDURE
Up to £10,000	Up to £10,000	Up to £10,000	Neither written quotations nor tenders need to be invited. Ensure value for money is achieved using local suppliers where possible.
£10,001 - £1,000,000	£10,001 - £213,477 (inclusive of VAT) £177,897.50 (exclusive of VAT)	£10,001 - £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	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 - £5,336,937 (inclusive of VAT) £4,447,447.50 (exclusive of VAT)	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 £5,336,937 (inclusive of VAT) £4,447,447.50 (exclusive of VAT)	Above £213,477 (inclusive of VAT) £177,897.50 (exclusive of VAT)	Above £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	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.

6. During 1st April 2021 to 31st March 2022 the Procurement Team have been involved and supported service areas with **273** procurement activities that equate to a total of **£62** million worth of contracts being awarded in the year.

7. This activity is broken down as follows:

- 84 - Quotations
- 17 - Tenders
- 71 - Exemptions
- 86 - Dynamic Purchasing System (DPS) further competitions
- 24 - Direct Awards/Further Competitions via Framework Agreements

8. Quotations are the procurement route used for low value contracts and as they do not require open advert it offers us the flexibility to target local suppliers where available. There is no reason a quotation could not be formally advertised where it was believed to be in the best interest, however, quotes allow us to direct opportunities to local suppliers.

9. Tenders and DPS are formal procurement processes that have to adhere to the Public Contract Regulations (PCR) 2015 which is procurement law which prescribes the process to be followed from advert all the way through to contract award.

10. Exemptions allow us to direct award where the contract is below PCR threshold and it meets the criteria of Section 5 of the Council's Standing Orders.

11. Direct Awards/Further Competitions via Framework Agreements are again compliant with PCR as the Framework Agreement will have been formally procured and the Framework Agreement will set our process for call off either via Direct Award or a further competition.

12. There are currently 467 active contracts recorded on our contract register, which is publically available.

13. A report was presented to Corporate Affairs & Audit Committee on 9th June 2022, which provided a full overview of exemption activity for 2021/22 and a copy is attached as Appendix A for reference.

14. The procurement team continues to gate keep via Business World for any orders raised over £5k up to £100k which further strengthens our understanding of the Councils spend.

15. The Procurement Team continue to support service areas with procurement queries and the Specialist Commissioning & Procurement Manager is currently working with the digital and organisational development colleagues in order to review and update the intranet and internet pages and develop some training for the Middlesbrough Learns site. It is hoped that this work will be completed by the end of the year and the training to go live from 1st April 2023.

16. Purchasing cards continue to be managed by the team and with the introduction of the Supplier Incentive Programme a review of their function in the Council is going to be undertaken led by the Specialist Commissioning & Procurement Manager.

17. During 2021/22 the Council spent £8,149,948 via purchasing cards which was 30,446 transactions. The majority of spend continues to be low value with 19,785 (65%) being below £99, 9,875 (32%) were £100 to £1,000 and 787 (3%) were over £1,000.

18. Rebates for the cards are paid annually each year and are based on spend activity between 1st December to 30th November the previous year and in February 2022 we received a rebate of £60,651.27.
19. In line with the purchasing card policy staff are responsible for reviewing all spend on their card by the 28th of each month which includes providing the receipt, detail of expenditure, cost centre and GL codes.
20. Managers with staff who have cards are also responsible for monitoring spend and the team continue to share monthly reporting and management of cardholders in line with the Council's policies.
21. Executive approval was given on 7th September 2022 to award and implement the Supplier Incentive Programme (SIP) with Oxygen Finance calling off the North East Procurement Organisation (NEPO) Framework in order to pay suppliers as early as possible in return for a rebate payment.
22. The SIP programme has now been implemented following a mobilisation period that involved a number of stakeholders from across the Council, including the Finance Accounts Payable (AP) Team, Business World Support Team and the Procurement Team to name a few.
23. The AP, BWS and ICT Teams were instrumental in working with Oxygen around the changes required to implement the new process and the changes needed within Business World undertaking a number of testing procedures.
24. The Procurement Team were pivotal to making the necessary changes to the procurement documentation ensuring that all future opportunities included the option of SIP.
25. As with all changes and new ways of working there are a few issues that are being faced and we are currently looking at issues as they arise. There was a lot of work undertaken during mobilisation to minimise and ensure the move to SIP would be smooth, however, there are some internal practices that need to be improved to ensure we see the benefits from SIP.
26. In order to understand actions that could assist us we have met with South Tyneside Council who have had SIP in place for nearly 7 years and seeing rebates over £400k and aiming for this to grow.
27. After meeting with South Tyneside we have agreed that a number of training sessions, attendance at Team Meetings and other media support options will be required. We are going to undertake some bespoke training with contract managers when tenders awarded have confirmed sign up to SIP to ensure financial processes are adhered to maximise rebate achieved.
28. Middlesbrough Council is off to a flying start with procurements already resulting in supplier sign up. The feedback from Oxygen was that our implementation was good with us being one of the quickest Local Authorities to get a live sign up to the programme.

29. SIP is in its infancy and the Commissioning & Procurement Team, Finance Team and Oxygen will continue to work collaboratively over the next 5 years to ensure that we are achieving the best from the service and the highest rebate possible and further detail will be provided in next years report.

30. We are using PowerBI to produce the quarterly reports on local spend which has been really useful. Further work is needed in order to further increase our reporting on spend and the Specialist Commissioning & Procurement Manager will be working with the data team over the next year to develop this.

31. A summary of the percentage performance of local spend during 2021/22 is shown below:

PERIOD	TARGET	ACHIEVED	SPEND
April – June 2021	40%	42.4%	£25m
July – September 2021	40%	42.4%	£25m
October – December 2021	40%	40.0%	£23m
January – March 2022	40%	40.2%	£27m

32. The achieved rate compared to the target has been really positive this year, which is really positive.

What decision(s) are being recommended?

33. None

Rationale for the recommended decision(s)

34. Not applicable

Other potential decision(s) and why these have not been recommended

35. Not applicable

Impact(s) of the recommended decision(s)

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

Legal

37. The Procurement Manager and the Procurement 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.

Strategic priorities and risks

38. Not applicable as report is for information only.

Human Rights, Equality and Data Protection

39. Not applicable as report is for information only.

Financial

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

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
None		

Appendices

1	Appendix A – Exemption from Standing Orders Overview 202122
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Background papers

Body	Report title	Date
Corporate Affairs & Audit Committee	Exemption from Standing Orders Overview 202122	9 th June 2022

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