

<b>Report of:</b>	Ian Wright, Director of Finance, Finance Councillor Chris Hobson, Executive Member Finance, Governance & Support
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<b>Submitted to:</b>	Corporate Affairs and Audit Committee 17 <sup>th</sup> December 2020
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<b>Subject:</b>	Procurement Policies, Practices and Financial Regulations Compliance
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**Summary**

<b>Proposed decision(s)</b>
That the committee notes the report and acknowledges the governance arrangements in place for procurement.

<b>Report for:</b>	<b>Key decision:</b>	<b>Confidential:</b>	<b>Is the report urgent?<sup>1</sup></b>
Information	No	No	Non-Urgent

<b>Contribution to delivery of the 2020-23 Strategic Plan</b>		
<b>People</b>	<b>Place</b>	<b>Business</b>
Procuring high quality services to meet the needs of our residents.	Supports delivery of Investment Strategy where procurement is required.	Promoting local commissioning directs contract opportunities to local market.

<b>Ward(s) affected</b>
All wards

<sup>1</sup> Remove for non-Executive reports

## What is the purpose of this report?

1. The purpose of this report is to provide a summary 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 1<sup>st</sup> April 2019 and 31<sup>st</sup> March 2020:

<b>WORKS</b>	<b>GOODS/ SERVICES/ CONSULTANTS</b>	<b>LIGHT TOUCH REGIME</b>	<b>TENDERING PROCEDURE</b>
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. Whilst approval to reduce the lower finance threshold to £10,000 was granted this has not yet been implemented and following COVID will now be brought into effect from 1<sup>st</sup> January 2021. The intended outcome from the reduction is to direct more contract opportunities to local suppliers as well as further challenging value for money.

## Practice Updates

### Local Commissioning

6. The monitoring of local commissioning continues to be reported via the balanced score card and the table below provides a summary of our performance during 2019/20:

<b>Period</b>	<b>Target</b>	<b>Achieved</b>	<b>Spend</b>
April – June 19	40%	34%	£9,405,868
July – September 19	40%	38%	£3,888,739
October – December 19	40%	41%	£4,529,933
January – March 20	40%	36%	£6,528,954

7. Overall performance has been good but we have struggled to achieve the target and only exceeded it in one quarter. The target was increased from the previous year of only 25% so overall achievement is still good with an average annual achievement of 37% which is 1% higher than the previous year.
8. The actual spend in monetary terms spent with Tees Valley suppliers is £24,353,494 a slight increase of £3,434,650 on previous year and of that £14,253,655 (up £3,645,722 on last year) was spent directly with Middlesbrough based suppliers.
9. This strategic objective remains with us for 2020/21 with the quarterly target of 40%.
10. As an outcome of COVID the Buy Boro campaign has morphed slightly and has been picked up and driven by colleagues in Regeneration and Marketing in order to support our local business by inspiring residents to spend with local business.
11. Moving into 2020/21 Procurement will be working more closely with Regeneration and Marketing to further develop this work collaboratively so we capture both procurement and local business benefits.

### Monitoring Standing Orders

12. 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.
13. This work has allowed us to identify areas of non-compliance and make them compliant, examples of this have been identifying available Frameworks and carrying out quotations.
14. This work is currently being reviewed post COVID and will continue to be a work stream for the team to ensure compliance.

## Purchasing Cards

15. Purchasing cards continue to be monitored and managed by the Commissioning & Procurement team and are subject to an annual Internal Audit review.
16. There were just over 400 active cards at the end of March 2020, which was a considerable reduction from the beginning of the financial year where there were over 500.
17. Spend via the cards continues to be high volume and low risk and during 2019/20 there was a total of £8,610,802 spent via the cards which would have been the equivalent of processing 33,288 invoices.
18. A new project focusing on the benefits of an early payment scheme via Business World is currently under development and if implemented will see a further reduction in the use of purchasing cards.

## Exemptions from Standing Orders

19. In accordance with the Contract Procedure Rules, dispensation from Standing Orders can be authorised where criteria is met. During 2019/20 there were 62 exemptions approved, compared to 60 in 2018/19.

Directorate	Number of Exemptions
Adults	10
Children's	5
Growth & Place	28
FGS	11
Public Health	8

20. There are reasons why Standing Order Exemptions are supported and these are listed in the constitution, but the main reasons for the above are technical specification requirements, person centred care and evidenced value for money.

## **Contract Awards**

21. There have been a total of 55 contracts awarded during 2019/20 which were the outcome of 34 quotations and 21 tenders.
22. There are currently 394 contracts contained on the Council's public contracts registers.

## **What decision(s) are being asked for?**

23. That the committee notes the report and acknowledges the governance arrangements in place for procurement.

## **Why is this being recommended?**

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

## **Other potential decisions and why these have not been recommended**

25. Not applicable.

## **Impact(s) of recommended decision(s)**

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

## ***Legal***

27. 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***

28. 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***

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

## ***Equality and Diversity***

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

## ***Risk***

31. 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:

- 08-055 – Failure to respond effectively and efficiently to legislative changes
- 013-001 – (SIRO 02 and 16) Poor procurement checks and contract management

## **Actions to be taken to implement the decision(s)**

32. Not applicable.

## **Appendices**

33. Not applicable.

## **Background papers**

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

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