

MIDDLESBROUGH COUNCIL	
------------------------------	--

Report of:	Director of Finance and Transformation
Submitted to:	Audit Committee
Date:	6 February 2025
Title:	Procurement Assurance Report 2023/24
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value

Executive summary	
<p>This report provides the Audit Committee with an overview of procurement activity undertaken for financial year 2023/24.</p> <p>The report includes information pertaining to:</p> <ul style="list-style-type: none"> • Procurement Activity • Purchase Card utilisation • Supplier Incentive Programme • North East Procurement Organisation (NEPO) • Local Spend 	

1. Purpose

1.1 To provide a summary of the Council's procurement activity over the last financial year including compliance with Contract Procedure Rules, practice changes and contracts awards.

2. Recommendations

2.1 That the Audit Committee

- Note the content of this report.

3. Background and relevant information

3.1 PROCUREMENT ACTIVITY

3.1.1 The tables below show the financial thresholds as of 1st April 2023 to 31st March 2024, which all procurement activity within that time frame was required to adhere to:

April 23 – December 23

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.

January 24 – March 24 – (Bi-annual uplift excluding Light Touch Regime)

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 - £214,904 (inclusive of VAT) £179,086.67 (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 - £5,372,609 (inclusive of VAT) £4,477,174.17 (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 £5,372,609 (inclusive of VAT) £4,477,174.17 (exclusive of VAT)	Above £214,904 (inclusive of VAT) £179,086.67 (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.

3.1.2 During 1st April 2023 to 31st March 2024 the Procurement & Commissioning Team have been involved and supported service areas with **325** procurement activities that equate to approximately **£29,028,719** worth of contracts being awarded in the year. Please note the £29m is not the annual contract spend in the financial year, it is the total contract value of all contracts awarded in that period.

3.1.3 This activity is broken down into the procurement routes as follows:

- 76 – Quotations
- 10 – Tenders
- 79 – Exemptions
- 60 - Dynamic Purchasing System (DPS) further competitions –
- 98 – Direct Awards/Further Competitions via Framework Agreements
- 2 – Provider Selection Regime (PSR)

3.1.4 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, or where the work is specialist and national providers need to be engaged, however quotes primarily allow us to direct opportunities to local suppliers.

3.1.5 Tenders and Dynamic Purchasing Systems (DPS) are formal procurement processes that must 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. The DPS route is used for Integrated Transport Unit who utilise the system to post mini competitions for home to school transport routes.

- 3.1.6 Exemptions allow us to direct award where the contract is below the Public Contract Regulations threshold, and it meets the criteria of Section 5 of the Council's Standing Orders. The council has a clear process for approval of exemptions.
- 3.1.7 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.
- 3.1.8 The Provider Selection Regime (PSR) came into force on 1st January 2024 and is a set of rules for procuring health care services. The PSR does not apply to procurement of goods or non-health care services (unless as part of a mixed procurement). These new rules will mainly apply to Public Health but on occasion we anticipate that Adult or Children's service may need to follow these rules as well.
- 3.1.9 There are currently over 500 active contracts recorded on our contract register, which is available to the public.
- 3.1.10 The new Procurement Act 2023 was due to go live at the end of October 2024, but was then delayed until 24th February 2025. The new act will bring significant change which we are now preparing for and have been involved in a range of training and workshops that the Government has been holding.
- 3.1.11 The Specialist Commissioning & Procurement Manager is our lead and attends various regional and national groups and is working closely with our legal services on preparing the Council for the changes. It will be interesting to see what the new Act brings us in relation to opportunities in next years report when we will have been working in line with it for almost a year.

3.2 NORTH EAST PROCUREMENT ORGANISATION (NEPO)

- 3.2.1 NEPO is an established public sector procurement organisation that works in partnership with all 12 North East Councils and the wider public sector to procure goods, services and works of high value and strategic importance. The 12 authorities collectively oversee the governance framework for NEPO.
- 3.2.2 The Specialist Commissioning & Procurement Manager represents Middlesbrough Council by attending the Collaboration North East (CNE) monthly meetings together with the other 11 North East Local Authorities Heads of Procurement, discussion centre around the business of the Procurement Organisation and the procurement requirements of the public sector.
- 3.2.3 As a full member to NEPO Middlesbrough Council pay a small member fee, the annual fee is £46,000 however in return we receive a rebate of approximately £140,000k per annum due to our use of the flexible procurement solutions available through membership of the organisation.

3.2.4 The benefits of being a full member of NEPO are:

- Provision of flexible procurement solutions for the local authority to utilise.
- Use of the above solutions minimise time delay for the authority in its procurement practices.
- Specialist procurement leads within NEPO have worked with sectors such as energy, fleet, construction etc to set up cost effective solutions for local authorities to utilise – utilising the collective buying power of the 12 north east authorities.
- Any concerns with large scale providers can be addressed by NEPO contract support.

3.2.5 In 2023/24, about 25% of our procurements utilised a NEPO framework, without this investment we would require additional resource in the procurement team to meet the demands of the procurement activity of the local authority. Middlesbrough Council has annual conversations with NEPO to review the available frameworks and discuss opportunities for future commissioning plans.

3.2.6 OPEN our new tendering portal went live in October 2024 and was developed and is fully maintained directly by the NEPO team. This new portal has been in development for a considerable period and the benefits of the system will develop as the system matures and we work to understand how it can best meet our needs. We have managed to publish our first quotation via the system and in next year's report we will be able to provide more detail on how the system is working and has developed over time.

3.2.6 NEPO continue to work on the North East Environmental, Social and Governance (ESG) model which is being developed and will deliver the North East's priorities. The Model will clarify and provide a common understanding of what social value is and how it is included in public procurement. It will move away from complex formulas and focus on what can be delivered by buyers and suppliers. As the region moves into an exciting new phase of devolution, we need to ensure that social value remains at the heart of what we do, and the Council is keen to understand how this new model can help us drive our own Social Value achievements through our procurements.

3.3 PURCHASING CARDS

3.3.1 Since the last report the following actions have been completed:

- Directorate review of all purchasing card holders which identified staff to continue to have card, those where card should be cancelled and identified new cardholders.
- Mandatory training provided for all purchasing card holders.
- Purchasing Card Policy updated.
- Intranet content review and guidance documents updated.
- Processes introduced for fraudulent spend review by the procurement team.
- Data dashboards rolled out to all Directors and Heads of Service.
- Data dashboards are updated weekly each Monday.
- Mandatory fields updated in Jan 24 in RBS, which include VAT Amount Rate, Expense Description, Additional Information, Receipt held, Receipt Scanned

- 3.3.2 The number of active cards has reduced and there are currently **194** active cards and of those **179** are for Council staff and **15** are for maintained School staff.
- 3.3.3 The data dashboards were initially only rolled out to Directors, but it then became clear that it would be more beneficial if all Heads of Service had access as well. The data team and procurement team worked together to roll out the data dashboards including training to all directorates. The dashboards are updated weekly on a Monday to ensure that services areas have the most up to date spend detail.
- 3.3.4 During 2023/24 there were 14,262 transactions which totalled £5,120,307 in spend and the directorate breakdown was:

Directorate	Spend 23/24
Adults	£3,006,805
Environment & Community Services (ECS)	£970,905
Children	£549,826
Regeneration	£448,433
Public Health	£71,028
Legal	£60,754
Finance	£12,556

- 3.3.5 The majority of spends continues to be for low value with 13,380 (94%) being under £999 and Appendix 1 provides a breakdown of purchasing card spend for 23/24 as well as comparison of spend from 1st April to 31st December 2023 and 1st April to 31st December 2024, which shows a **decrease** in transactions and spend.
- 3.3.6 Rebates for the cards are paid annually each year and are based on spend activity between 1st December to 30th November, anticipated rebate to be received is £20,528.53, which is significantly lower than last year of £62,032.91. This shows the reduction in spend through the cards going from over £8million in the rebate period for 22/23 to just over £4m for 23/24, this unfortunately also means that we have reduced in the rebate % bracket going from 0.7198% to 0.5009%.
- 3.3.7 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. Processes are in place whereby staff who fail to follow due process on three occasions or more will have their cards removed.
- 3.3.8 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.

3.3.9 The Specialist Commissioning & Procurement Manager is going to work with the service areas to agree the purchasing card remit they wish to implement, which will result in an update of the purchasing card policy that will clearly specify categories of spends for staff. This will strengthen our governance of the purchasing cards and spend. It is anticipated that this work will be completed, and the updated policy will be published in April 2025.

3.4 SUPPLIER INCENTIVE PROGRAMME (SIP)

3.4.1 SIP with Oxygen Finance is our early payment programme which gives suppliers the opportunity to be paid earlier than standard practice. The programme gives suppliers the option to be paid as soon as the invoice is authorised. The aim is to complete this within 10 days, normally payment term is 30 days. Suppliers pay a small pre-agreed rebate which is applied as the invoice is paid. The rebate is proportionate to the number of days the authority accelerates the payment by. The rebate is only applied if the invoice is paid earlier than 30 days. The SIP programme has been operational since May 2022 with savings of over £40k up to 31st March 2023 being achieved.

3.4.2 Suppliers are onboarded to the programme via two main methods (sourcing via procurement and direct engagement with suppliers). During the tender process, suppliers can onboard all their spend with the Council, maximising their cash flow and delivering additional rebate back to the council.

3.4.3 We continue to target all suppliers working in partnership with Oxygen and promoting as much as possible, we want to maximise efficiencies of the programme through additional and targeted engagement.

3.4.4 As part of SIP, we have Free Pay which allows the Council to identify and pay early without rebate our local suppliers who we classify as being an SME (small & medium sized enterprises).

3.4.5 Appendix 2 is a summary of Free Pay performance in the current year and shows how the Council has paid £6m within 3 working days which is a really proactive approach by the Council in supporting our local suppliers.

3.4.6 SME suppliers do not know they are benefiting from SIP but as a Council we know how beneficial this is to the SME market in these times of financial constraints. The list of Free Pay suppliers is reviewed regularly to ensure only eligible suppliers are included.

3.5 LOCAL SPEND

3.5.1 Middlesbrough Council has a strategic direction for ensuring spend remains local and this is monitored quarterly. The quotation process allows for more targeting spend to local suppliers and practice linked to quotations is encouraged to ensure suppliers that are local and offer value for money are requested to quote.

3.5.2 We have procured Insights System via the NEPO521 Framework which provides us with full analysis all of our published spend data. This not only allow us to easily view

accurate spend by category but more importantly can quickly show us our local spend achievement at the click of a button.

3.5.3 A summary of the percentage performance of local spend on a quarterly basis is shown below:

PERIOD	TARGET	ACHIEVED	SPEND
April – June 2023	40%	49%	£17m
July – September 2023	40%	48%	£15m
October – December 2023	40%	50%	£30m
January – March 2024	40%	51%	£29m

3.5.4 The overall performance for 2023/24 was 50% which is in excess of our target of 40%.

4. Other potential alternative(s) and why these have not been recommended

4.1 Not applicable for this report.

5. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	Within Middlesbrough Council's constitution, the regulations pertaining to contracts are outlined within the Contract Procedure Rules. Staff are required to adhere to the contract procedures pertaining to any procurement activity, and flow charts and threshold tables are provided on the staff intranet as easy reference guides. Any activity linked to grant income is exempt from procurement processes if detailed within the grant conditions attached to the funding.
Legal	All contracts are required to be approved and signed by legal services.
Risk	The effectiveness of purchasing card governance has significantly increased with the introduction of data dashboards to all Directors and Heads of Service and is updated weekly. We have seen significant reductions in spend and reliance on purchasing cards which is helping reduce the risk to the Council.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no human rights, equality or data protection issues arising as a result of the recommendations in this report.
Climate Change / Environmental	There are no climate change/environmental issues arising as a result of the recommendations in this report.

Children and Young People Cared for by the Authority and Care Leavers	There are no issues relating to Children and Young People cared for by the authority and care leavers arising as a result of the recommendations in this report
Data Protection	There are clear processes linked to data protection and GDPR within procurement guidelines and practices.

Appendices

1	Appendix 1 – Purchasing Card Data
2	Appendix 2 – Free Pay Performance
3	

Background papers

Body	Report title	Date

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