

<b>Report of:</b>	Ian Wright, Director of Finance Councillor Barrie Cooper, Executive Member for Environment and Finance and Governance
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<b>Submitted to:</b>	Corporate Affairs and Audit Committee 30 <sup>th</sup> September 2021
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<b>Subject:</b>	Procurement Overview for 2020/21
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**Summary**

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

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

<b>Contribution to delivery of the 2021-24 Strategic Plan</b>		
<b>People</b>	<b>Place</b>	<b>Business</b>
Procuring high quality services to meet the needs of our residents.	Supports the delivery of Investment Strategy where procurement is required.	Promoting local commissioning directs contract opportunities to the local market.

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

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<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 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

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 table below shows the thresholds as at 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021, which all procurement activity should 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 - £189,330	£10,001 - £663,540	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 - £4,733,252	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 £4,733,252	Above £189,330	Above £663,540	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. The pandemic has had a significant impact on procurement activity during 2020/21 and there have been some significant challenges, which the procurement team have handled positively with our suppliers to ensure continuity of provision and services.
6. There were a number of Public Procurement Notices (PPN) published by Crown Commercial Services (CCS) in order to offer assistance and guidance for Contracting Authorities:
  - PPN 01/20 – Responding to COVID-19
  - PPN 02/20 – Supplier Relief Due to Coronavirus
  - PPN 03/20 – Use of Procurement Cards – COVID-19
  - PPN 04/20 – Recovery & Transition from COVID-19
  - PPN 01/21 – Procurement in an Emergency (building on from PPN 01/20)
7. One of the consequences of the pandemic and respective lock down's has been the extension of 77 contracts as it was not possible for formal tenders to be carried out.

8. These extensions were compliant with the Public Contract Regulations and the relevant PPN's and contracts were formally varied. These procurements are now being re-scheduled into future tender pipeline.
9. During the pandemic the Council has worked extremely hard to ensure that services continue without disruption and that suppliers, especially local suppliers were supported as much possible.
10. In compliance with PPN 02/20 the Council has agreed supplier relief in order to ensure sustainability of services and markets to the following:
  - NEPO Food Suppliers – In collaboration with the other NE Local Authorities and managed via NEPO the Councils have offer supplier reflect to JR Holland and Freemans Butchers
  - Transport – Taxi providers
  - Day Care Services – Adults and Children
  - Older Persons Residential Market
  - Home Care Market
  - Roundabout Advertising
11. There has been procurement activity undertaken during the year, as we moved out of lock down and 53 contracts have been awarded through the following routes:
  - Quotations - 40
  - Tenders - 13
12. There are currently 475 active contracts recorded on our contract register, which is publically available.
13. In line with Standing Orders there are occasions where an Exemption from Standing Orders can be obtained through a fully transparent approval process. During 2020/21 there were 48 exemptions approved, compared to 60 in 2019/20.

<b>Directorate</b>	<b>Number of Exemptions</b>
Adults	9
Children's	5
ECS/Regeneration	15
Finance & Legal	8
Public Health	11

14. There are reasons why Standing Order Exemptions are supported and these are detailed in the constitution, the main reasons for the above requests were noted to be for technical specification requirements, person centred care and evidenced value for money.
15. The Director of Finance has identified exemptions as an area for review as they would like to see the number of requests continue to decrease.
16. The procurement team are now a gate keeper via Business World for any orders raised over £5k up to £100k which is enabling the team to have a greater

understanding of the Councils spend. Furthermore it allows the team to challenge and ensure compliance with standing orders is being followed.

17. There are occasions where standing orders may not have been followed, on such occasions, the team will work closely with the service area in order to identify what has happened and make sure actions are taken in order to avoid it happening again.
18. The main reasons where standing orders are not followed tend to be situational or lack of understanding of procurement processes and as such the team will provide advice and guidance. They will also direct them to the procurement and commissioning intranet page which hosts a variety of information, guidance and documentation that will ensure the service area understands the process moving forward.
19. 2020/21 breaches were minimal due to COVID restrictions reducing the procurement activity being undertaken by the Council. However we are aware of more recent occasions where standing orders have not be adhered to but assurance measures are being undertaken now to deal with them and further detail will be provided in next years report. It appears that further training would be beneficial for staff in order to further promote understanding of the contract procedure rules and the Procurement Manager has been tasked with developing this work.
20. Purchasing cards continue to be managed by the team and following a recent audit further actions have been put in place in order to ensure that all staff and line managers understand their role and responsibility when it comes to the purchasing card process.
21. During 2020/21 the Council spent £7,515,013 via purchasing cards which was 25,438 transactions. The majority of spend continues to be low value with 16,842 (66%) being under £99, 6,621 (26%) were £100 to £499.99 and 1,975 (8%) were over £500.
22. Rebates for the cards are paid 1<sup>st</sup> December to 30<sup>th</sup> November and in December 2020 the Council received a rebate of £67,345.83 and a further rebate will be received in December 2021.
23. In line with the purchasing card policy staff are responsible for reviewing all spend on their card by the 28<sup>th</sup> of each month which includes providing the receipt, detail of expenditure, cost centre and GL codes. Managers of staff with cards are also responsible for monitoring spend.
24. Members will be contacted separately by Head of Finance and Investments to provide an update on the VAT review in relation to purchasing cards.
25. The Council takes the monitoring of purchasing cards very seriously and monthly reports are undertaken on cardholders reviewing performance and to identify any areas of concern, in 2020 through this process a staff member's card spend raised significant concerns and was formally deal with under the Council's disciplinary policy.
26. The team have actioned the audit recommendations and these have further strengthened our monthly reporting to cardholders and line managers on the reviewing of the purchasing cards and cards being cancelled where the Council's policy is not being adhered to.
27. The team also held a number of refresher training sessions for staff and line managers in July 2021 and feedback on these has been really positive.

28. Middlesbrough Council is now seeking Executive agreement (report being presented on 7<sup>th</sup> September) to procure the Supplier Incentive Programme (SIP) (also known as an Early Payment System) with Oxygen Finance via the NEPO Framework in order to enable early as possible payment options for all suppliers in return for a rebate payment.
29. This project will have a number of efficiencies both in relation to practice as well as financial and will result in a decreased use of purchasing cards as we currently know it. Purchasing cards will continue to be used but will significantly decrease.
30. It is anticipated that the SIP will be live by the end of the financial year and more detail on its performance will be provided in next year's report.
31. Local spend continues to be monitored against our set target, and work to enhance our reporting continues to be developed. A new report has been designed in Business World and the Data Team have assisted in transferring that report into PowerBI in order to provide a visual data dashboard on our spend performance.
32. A summary of our performance during 2020/21 is shown below:

<b>PERIOD</b>	<b>TARGET</b>	<b>ACHIEVED</b>	<b>SPEND</b>
April – June 2020	40%	28%	£6,579,961.24
July – September 2020	40%	40%	£5,754,246.21
October – December 2020	40%	31%	£3,143,785.03
January – March 2021	31%	26%	£3,727,866.80

33. Throughout the year the achievement of the target has been challenging due the reduction in procurement activity caused by COVID and contracts being extended. As we move out of lock down and procurement activity increases we are confident we will achieve the 2021/22 target and we have already seen an improvement in Quarter 1 2021/22 achieving 48.8%.
34. Local spend is an area of work which we will continue on analysis of our spend data to make sure it is accurate as possible.

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

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

**Why is this being recommended?**

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

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

37. Not applicable.

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

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

### ***Legal***

39. 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.

### ***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.

### ***Policy Framework***

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

### ***Equality and Diversity***

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

### ***Risk***

43. There are no direct risks associated with this report, however, compliance with the policies and procedures 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)**

44. Not applicable.

### **Appendices**

45. Not applicable.

### **Background papers**

46. Not applicable.

**Contact:** Claire Walker, Specialist Commissioning & Procurement Senior Manager  
**Email:** Claire\_walker@middlesbrough.gov.uk