

REPORT TO: Executive Board
DATE: 30 June 2011
REPORTING OFFICER: Strategic Director – Policy and Resources
SUBJECT: Changes to Procurement Standing Orders
WARD(S) Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To present proposed changes to the Councils Constitution Part 5 – Procurement Standing Orders and rationale for this proposal as to how this will improve procurement practice across the Council and deliver savings.

2.0 **RECOMMENDED: that the Executive Board recommends Council to approve changes to Procurement Standing Orders set out in Appendix 1**

3.0 SUPPORTING INFORMATION

3.1 As part of the Council's Procurement Strategy the Procurement Division has been actively seeking new ways to improve procurement practice across the Council in order to reduce spend and the bureaucracy of processes in line with the principles of EU Public Procurement Contract Regulations 2006. The EU Principles state; to seek fair, transparent non-discriminative and competitive trading.

Current Procurement Standing Orders states differing thresholds of spend to allow officers to procure goods, services and works. These thresholds currently are:

- Up to £1000: Advisable for quotations to be sought.
- £1,001 - £50,000: Must seek three quotations via the Chest (Due North) E sourcing system.
- £50,001 - £1M: Must follow a formal tender process and in line with EU Public Procurement Contract Regulations in terms of the Official Journal of the European Union (OJEU) requirements. (Thresholds £156,442 goods and services and £3,927,260 works).

These three elements are the only parts of Procurement Standing Orders with proposed changes in terms of value with some consequential procedural changes also required if accepted. No amendments are proposed to the remaining parts of Procurement Standing Orders including the requirements for waivers and or emergency procedures etc.

It is proposed that Standing Orders be revised to amend the thresholds from £50,000 to the OJEU threshold for goods and services of £156,442. Appendix 2 shows this in diagrammatic form. In addition by moving this threshold it will allow both officers in Directorates and the Procurement Team the ability to take a less bureaucratic process to seek quotations via the Chest rather than follow a formal tender

3.2

The benefits to businesses, especially SME's, are

- ALL transactions will go via the Chest above £1k which is the commitment declared publically in 2010.
- The processes for procuring under £156,442 will be simplified, less rigid and allow more of a dialogue with the bidders to get the best deal for the Council.
- The time involved in formal tenders is prohibitive for bidders and the process is drawn out and rigid in terms of flexibility e.g. where a bidder makes a simple mistake of not adding a policy or evidencing insurance due to the cumbersome process they are expected to follow currently means they are disqualified from tendering.
- The law allows Councils to abide by their own Standing Orders below £156,442 therefore we should abide by the principles of EU Regulations to adapt our own Constitution.
- Businesses can view all the Council's trading opportunities for quotations both simple and advanced via the Chest. Allows complete transparency.
- They will receive automatic notification of trading opportunities via the Chest.
- The simplified process, and reduction in their costs.

3.3 Advantages to the Council:

- Capturing all spending decisions via the Chest thus enabling the Procurement Division to support/coordinate all spending activity before the commitment is made i.e. contract is drawn or purchase order placed.
- Fully embed the use of the Chest as per Standing Orders.
- All spending activity via the Chest to deliver complete transparency and opportunity to the business community.
- Simpler for officers to embrace and less time consuming.
- All judgement of spending decisions based around risk.
- Quicker realisation of spend reductions via procurement team.
- Best and Final Offer (BAFO) negotiation, gives the opportunity to challenge price where with current tender processes, allows only acceptance of formal price submissions as this has been measured against other bidders. More of a dialogue process to be developed. This will be done in conjunction with assessing quality.
- All procurement over £1,000 via the Chest unless an emergency reactive decision is required. This ensures a robust audit trail and removes risk or error or breach of Standing Orders.

4.0 **POLICY IMPLICATIONS**

4.1 To be implemented in year into the Procurement Standing Orders as part of Halton BC Constitution.

5.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

5.1 **Children and Young People in Halton**

Supports the efficiency agenda thus re-directing cash towards savings target for the Council.

5.2 **Employment, Learning & Skills in Halton**

Supports the efficiency agenda thus re-directing cash towards savings target for the Council. Support SME business community to trade with the Council.

5.3 **A Healthy Halton**

Supports the efficiency agenda thus re-directing cash towards savings target for the Council. Allows greater investment to boost the local economy.

5.4 **A Safer Halton**

Supports the efficiency agenda thus re-directing cash towards savings target for the Council.

5.5 **Halton's Urban Renewal**

Supports the efficiency agenda thus re-directing cash towards savings target for the Council.

Supports the local business community in terms of accessing trading opportunities.

6.0 **RISK ANALYSIS**

6.1 The above proposal will ensure the risk of non-compliance of Procurement Standing Orders is significantly reduced as follows:

- Compliance with Procurement Standing Orders will stand robustly across the Council.
- All procurement will have a clear audit trail and will take account of the principles of EU Regulations for spend below the OJEU thresholds thus supporting a robust assessment of specified requirement, commercial acumen and ability, financial stability as well as assessing both quality and price as well as ensuring a fair, transparent and competitive process.
- Training and briefing sessions will be provided with a phased approach to monitoring and auditing activity to challenge and embed practice.
- No change to the powers or reporting to Executive Board Sub Committee in terms of Preliminary Estimate Reports required for

spend over £1M or waivers.

7.0 EQUALITY AND DIVERSITY ISSUES

- 7.1 The Council will continue to promote and rigorously test against equality and diversity as with the current formal tender process in line with EU principles.
This E-Tendering system promotes transparency and equal access to trading opportunities with Halton BC.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

- 8.1 None identified.