

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	16 <sup>th</sup> April 2014
	<b>Council</b>		<b>24<sup>th</sup> April 2014</b>
<b>Subject:</b>	Contract Procedure Rules	<b>Wards Affected:</b>	All Wards
<b>Report of:</b>	Director of Corporate Services		
<b>Is this a Key Decision?</b>	No	<b>Is it included in the Forward Plan?</b>	No
<b>Exempt/Confidential</b>	No		

### Purpose/Summary

To present the amended Contracts Procedure Rules to the Committee

### Recommendations

That the Audit and Governance Committee

- (1) note the results of the pilot process for changes to the Council's procurement process; and
- (2) approve the amended Contract Procedure Rules.

### How does the decision contribute to the Council's Corporate Objectives?

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		x	
2	Jobs and Prosperity	x		
3	Environmental Sustainability		x	
4	Health and Well-Being		x	
5	Children and Young People		x	
6	Creating Safe Communities		x	
7	Creating Inclusive Communities		x	
8	Improving the Quality of Council Services and Strengthening Local Democracy	x		

**Reasons for the Recommendations:**

To allow the changes to the procurement processes to be rolled out across the Council

**Alternative Options Considered and Rejected:**

The Contracts Procedure Rules could remain unchanged.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

There are no revenue costs involved in the implementation of these changes.

**(B) Capital Costs**

There are no capital costs involved in the implementation of these changes.

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Financial</b>	
<b>Legal</b>	<b>A further rule change may be necessary to accommodate variations to contracts as well as extensions and this will be referred back to the committee as this would not rank as a minor change.</b>
<b>Human Resources</b>	
<b>Equality</b>	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

**Impact of the Proposals on Service Delivery:**

**There will be no impact on service delivery.**

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance and ICT (FD2937/14.) and the Head of Corporate Legal Services (LD2242/14) have been consulted and any comments have been incorporated into the report.

## **Implementation Date for the Decision**

Immediately following the Committee/Council meeting.

**Contact Officer: Andrea Watts**

**Tel: 0151 934 2030**

**Email: [andrea.watts@sefton.gov.uk](mailto:andrea.watts@sefton.gov.uk)**

## **Background Papers:**

There are no background papers available for inspection.

### **1. Introduction/Background**

- 1.1 In May 2013, the Council began working in partnership with Halton Council to review the existing procurement processes and to look at making the systems more streamlined, reduce the administrative burden on those suppliers that wish to do business with the Council and increase transparency of the procurement process. Halton Council has been recognised by the Government as one of the top 10 Councils for firms to do business with, and the Council was keen to learn from Halton how its processes could be improved.
- 1.2 Over the last several months, changes to the procurement processes have been identified, and where it was possible within the existing rules, these changes have been tested to ensure they meet Sefton's needs.
- 1.3 This report now seeks approval of new Contracts Procedure Rules which will underpin a new Procurement Strategy and enable the new process to be rolled-out fully across the Council.

### **2. Aims of the new procurement approach**

- 2.1 A Commercial Procurement approach will support the delivery of Council priorities by implementing the following key objectives:
  - Avoid spending on things we want rather than on what we need
  - Achieve excellent value for money whilst maintaining quality
  - Support the local economy, business and voluntary sector through transparency of opportunity support and education
  - Collaborate with other public sector organisations to ensure maximum benefit for Sefton and the wider region from joint procurement.
- 2.2 This marks a new approach for Sefton and responds to the growing challenges faced by the Council. It represents a significant departure from the more traditional public sector procurement approaches, to a more commercial approach embracing the Social Value agenda, and aims to make Sefton a good Council to do business with.
- 2.3 As part of a review of our processes, we have challenged our rules, processes, practices and compliance in order to improve efficiencies through a more efficient

approach and removing all unnecessary activities. Subject to the approval of these Rules, and a revised Procurement Strategy which will be considered by the Cabinet Member for Corporate Services and Performance, this will result in:

- publishing all procurement opportunities via The Chest (The Councils e-tendering system) from £1000 upwards;
- Removing Pre-Qualification Questionnaire (PQQ) for all procurement below EU value thresholds
- Implementing a risk based sourcing approach for all procurement below EU value thresholds which significantly simplifies the process, thus leading to time and cost efficiencies throughout the whole organisation and for businesses
- Delivering a strong range of engagement with SME's to show we are 'Open for Business' in order to encourage and support businesses leading to successful contract awards
- Social Value consideration being placed at the heart of our procurement planning as we aim to gain added value from procurement through securing employment, learning and skills outcomes as well as local supply chain engagement by our larger contractors
- Commencing a journey to develop aligned procurement processes with public sector partners in order to secure joint planning with the aim of delivering further significant savings by using the economies of scale this brings.

### **3.0 Results of the pilot**

3.1 There were 2 main parts to the pilot process: publication of the Council's Contract Register and publication of all procurement opportunities over £1000 (where a corporate contract doesn't already exist) on The Chest.

3.2 The Contract Register has now been published and allows the team to proactively engage with service departments in a timely fashion to ensure contracts are reviewed and procurement exercises undertaken in a reasonable timescale and avoids requests for contract extensions. It also opens up the Council's Contract Register to potential suppliers and demonstrates transparency.

3.3 Secondly, where no contract framework already exists, procurement opportunities over £1000 and under the formal tender threshold have been advertised on the Chest to try to drive down the spend. Savings of 10% of the original budgets have been made (a saving of just over £35k on a spend of £355k) from 1 November 2013 to 1 March 2014.

### **4.0 Next step**

4.1 The next step, which could not be piloted under the existing rules, was to cease formal tenders under the EU threshold. The formal tender process is not required under the EU threshold but has traditionally been used for all spend over £75k. This enabled compliance with other EU principles applicable to procurements. Substantial officer time is required to run a formal tender process and it places unnecessary burdens on suppliers and SME's in particular. The new process will require a risk assessment of each procurement opportunity and this will result in either a simple or complex request for quotation. The more risk involved, then the more information will be required from potential suppliers. All this activity will take

place on The Chest to enable compliance with other EU principles including transparency and equality of opportunity. The approval of the new Contracts Procedure Rules will facilitate this implementation.

- 4.2 Lastly, colleagues from Sefton@work will engage with the business community on our behalf, inform them of the new processes and train them to be able to identify potential opportunities to do business with the Council.

## **5.0 Consultation**

- 5.1 Colleagues across the Council have been consulted on these proposed changes and their comments have been incorporated where possible. Inevitably, there will be some changes required as the new processes are implemented and The Head of Corporate Finance and ICT will report the changes as appropriate.