

**RECOMMENDATION FROM
AUDIT AND STANDARDS COMMITTEE
TO COUNCIL ON 20 JULY 2017**

**AGENDA
ITEM NO**

7

This is a copy of the Agenda Item 6 report to the Committee
on 4 July 2017

Report Title	PROCUREMENT REVIEW 2017/18
Purpose of Report	To consider the actions required to further improve the Council's performance in relation to procurement and contract management.
Decision(s)	The Committee RECOMMENDS TO COUNCIL that the thresholds in the Contract and Procurement Procedure Rules be amended as outlined in the Report at paragraphs 2.3 and 2.4.
Financial Implications and Risk Assessment	<p>There are no financial implications arising directly from this report.</p> <p>The Council's Financial Regulations will be reviewed in the light of the proposed changes to the Contract and Procurement Procedure Rules (CPPRs) to ensure limits around procurement activity and budget approval and virement authorisation remain consistent.</p> <p>Paragraphs 3.2 and 3.3 highlight the work undertaken on spend consolidation to date. The MTFP, as approved by Council in February 2017, assumed that full year savings of a minimum of £50k would be achieved as a result of this review.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p> <p>By addressing weaknesses in the use and management of procurement and contract management the risk of legal challenge from suppliers is being reduced, and the council can demonstrate it is achieving value for money.</p>
Legal Implications	<p>None beyond those set out in the report.</p> <p>Karen Trickey, Legal Services Manager and Monitoring Officer Tel: 01453 754369 Email: karen.trickey@stroud.gov.uk</p>
Report Author	<p>Sarah Turner, Principal Procurement Officer Tel: 01453 754346 Email: sarah.turner@stroud.gov.uk</p>
Performance Management Follow Up	Further information sheets will be provided to Audit & Standards Committee to update them on progress on delivering the Procurement Action Plan 2017/18; and any efficiency in processes and resources resulting from these actions.

1. Background

- 1.1 The Audit and Standards Committee has been monitoring the Council's performance in relation to procurement and contract management over a number of years. An update on steps taken in recent months has previously been provided in the Information Sheet dated 27 March 2017 sent to all Members - [A&S Committee - Information Sheet - March 2017](#).
- 1.2 This report outlines (i) changes proposed to the Council's existing rules and (ii) the actions proposed to continuously improve the procurement processes and as a result, secure better 'value for money' services.

2. Changes to the CPPRs

- 2.1 The Contract and Procurement Procedure Rules ("CPPR") were fundamentally redrafted in July 2015. A review was carried out in the early part of this year following the transfer of procurement and risk management to the Legal Services Team in February. Responsibilities previously undertaken by the Strategic Head of Finance and Business Services transferred to the Legal Services Manager and have already been implemented and the CPPRs updated accordingly. The procurement plan form and the exemption form, which currently require officers to duplicate information and authorisations needed from relevant heads of service, have also been updated and combined to improve the efficiency of the procurement process.
- 2.2 Changes to the CPPRs which require Committee and Council approval have also been identified in the light of practical experience of the application of the rules over the last two years (see paragraphs 2.3 – 2.4 below). These proposed amendments will further streamline the procurement procedures without in any way prejudicing the checks and balances which are in place to avoid breaches of the law and importantly to facilitate the awarding of contracts which provide best value for money.
- 2.3 It has become apparent that some of the thresholds for authorisation for procurement activity to proceed and / or the exemptions to the existing rules are unduly onerous. Currently, all proposed exemptions to the current rules no matter the value, must be approved by the Legal Services Manager. This is despite the fact that Strategic Heads or Heads of Service have to previously check and approve the letting of contracts within their teams in any event. It is proposed that the Legal Services Manager only be required to review and approve exceptions to the rules for contracts with an estimated value of £25,000 or above. (It should be noted that this threshold is still significantly below the statutory threshold for European procurement procedures and is consistent with the government's requirement that all contracts of £25,000 or above be advertised on the Cabinet Office's Contracts Finder). Importantly, specialist advice will continue to be provided by the procurement officers on the application of any exemptions and the Legal Services Manager will be consulted should either of the procurement officers within her team have any concerns. For audit purposes and for periodic checking of the approvals given, signed approval forms will continue to be submitted to the procurement officers for retention in a central record for at least three years.
- 2.4 It is also proposed that the threshold to follow formal tendering procedures be increased from £50,000 to £75,000; and that for contracts from £5,000 up to £75,000 officers must be able to demonstrate value for money by obtaining at least three written quotations from suppliers using the South West procurement

portal. This increase is considered appropriate for the Council although it is not uncommon for local authorities to have higher thresholds such as £100,000.

3. Procurement Action Plan 2017/18

- 3.1 Over the last two years, in summary, the priority for the Council in terms of procurement has been largely to secure compliance with legal requirements when letting contracts. In terms of moving forward, it is proposed that attention is now directed by the procurement officers to contract management to ensure that services are always effectively monitored to secure delivery of the best value services. This has been the subject of one of the topics covered within the recent training and has highlighted the benefits of developing relevant corporate guidance based upon internal and external best practice and external guidance. Contract management information, including contract performance indicators, on market best practice has been researched and support from the Audit Shared Service is to be provided towards the end of 2017.
- 3.2 A further procurement plan priority for the Council is to consolidate corporate spend on areas including agency, consultancy, printing, postage and marketing spend. In respect to agency, currently the average annual spend is £860,566, spent by the Council on such services over 5 years. It is hoped that significant savings in region of 5 – 10%, £43,000 - £86,000 can be made by using an existing framework agreement, the procurement team having been working with Human Resources to assess the merit of using such. Meetings have been held with framework suppliers to determine which type of service will provide the best value option for the Council. In the meantime, the Council will continue to use consultants procured through service areas on an ad hoc basis when necessary and make use of framework agreements as appropriate, details of which are now available on the Council's Hub.
- 3.3 In respect to corporate spending in 2016/17 on print, postage and marketing currently such services cost the Council in the region of £572,000. Work has started on producing an options appraisal to identify potential and significant areas of savings by consolidating spending across these areas.
- 3.4 Other areas of work involved in overseeing Council procurement, which are being undertaken in 2017/18 are consistent with the LGA's National Procurement Strategy (NPS) and also the Council's own [procurement strategy](#). Having assessed the Council's procedures and practices in recent months against the NPS standards, it is reassuring that the actions which the Council has taken over the last two years and is proposing to undertake are consistent with the themes promoted by the NPS, namely that in effective procurement, local authorities should (i) secure savings (ii) support local economies (iii) provide leadership and (iv) promote service modernisation. The following further examples of the work which is continuing to be undertaken by the procurement officers, also illustrate this.
- 3.5 The Council is working with the SW Procurement Board which comprises other authorities in the south west. In working with the Board the Council is extensively involved in identifying savings in the area of statutory advertising/notices which currently the Council spends approximately £15,000 per annum. In addition, work is being undertaken on 'social value', in accordance with the Council's duty to procure services in a manner which will improve the economic, social and environmental well being of the district.

- 3.6 As part of the team's annual spend analysis, in 2016/17 total expenditure on Council contracts amounted to approximately £35m. Of that approximately £12m were local suppliers (i.e. had GL post codes). Feedback from local suppliers has identified some benefit in advertising contract opportunities on the Council's website and directing particularly smaller local suppliers to the SW Portal which they may not be registered with. Further work is being undertaken with suppliers to seek to reduce where practical for both contracting parties, the number of invoices submitted to ensure that the corporate cost involved in for invoice processing (currently estimated to be account for approximately 0.3 hours per invoice of which there are 13040 per year) is reduced.