

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 31 OCTOBER 2017**

**REPORT OF: MR TIM OLIVER, CABINET MEMBER FOR PROPERTY AND BUSINESS SERVICES**

**LEAD OFFICER: ROSS DUGUID, ASSISTANT DIRECTOR PROCUREMENT**

**SUBJECT: REVISION OF PROCUREMENT STANDING ORDERS**



**SUMMARY OF ISSUE:**

As part of the transformation programme for Orbis, the Procurement Service has been through significant change over the past year in order to deliver a broader commercial role for the Council.

Revising the Procurement Standing Orders (PSOs), which set out how the Council governs spending by Officers on goods, works and services, will help to support these changes.

**RECOMMENDATION:**

It is recommended that:

Cabinet notes proposed changes to Procurement Standing Orders (PSOs) and recommends them to full Council for final approval on 5 December 2017.

**REASONS FOR RECOMMENDATION:**

To provide support for the adoption of the revised Procurement Standing Orders (PSOs) by full Council.

The updated PSOs will help drive the following developments within procurement:

- Delivery of broader value through procurement, particularly regarding social value and local suppliers
- An increased focus on supporting contract management activities
- Improving the effectiveness and efficiency of the procurement process

<b>DETAILS:</b>
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## **Business Case**

1. The Procurement Standing Orders (PSOs) set out how the Council governs spending by Officers on goods, works and services, on consultants and contractors, and on direct care services. The PSOs cover all spend with external suppliers regardless of the source of funding (for example, revenue, capital, ring-fenced government money and/or any grant or third party funding).
2. The changes to the PSOs will deliver the following key benefits:

### **a. Development of local suppliers**

Expanded guidance requires officers to use their purchasing power to work with local businesses where they offer equal or better value for money than alternatives. It also includes provisions to prevent barriers being created that may inhibit SMEs ability to tender, including reviewing specifications and the division of contracts into smaller lots.

### **b. Delivery and measurement of social value**

The revised wording introduces the social value measurement charter; this is a tool used on all procurements over £100,000 to aid bidders in assessing what social value they can provide and putting a financial value on this.

### **c. Contract Management Support**

The introduction of a new section into the Orders details the role that procurement will play in supporting contract managers within the council to understand the risks, opportunities and resources required to manage contracts of varying degrees of complexity. This will be done via a dedicated Contract and Supply Management team.

The Orders also provide increased guidance on contract award notices and contract modifications to comply with recent legislation (Public Contract Regulations 2015 – “PCR”); they also specifically refer to the requirement to comply with the temporary staffing contract to drive best value.

### **d. An effective and efficient procurement process**

The formation of a dedicated strategic procurement team to manage the procurement process up to contract award, provides increased expertise in ensuring that we select the most appropriate route to market from the options available. To complement this the revised PSOs therefore provide greater detail on the variety of procurement routes that may be used in different contexts to deliver best value.

The Orders also contain a range of other measures intended to provide additional clarity and reduce the risk of challenge in the procurement process. These include: an expansion of the basic steps that need to be considered as part of a procurement; detail on the

implications of recent procurement legislation; and the introduction of a section on bribery, corruption, canvassing and collusion.

To ensure the sourcing process is as efficient as possible the internal governance (the Sourcing Governance Board) has also been amended to better accommodate the varying degrees of risk and complexity present in different procurements.

#### **CONSULTATION:**

3. In amending the PSOs we have taken into account good practice at other Local Authorities and across the wider public sector. This has included reviewing standing orders and supporting policies from other county and unitary authorities across the South East.
4. The revised Orders were prepared in consultation with Finance, Legal, Audit, Business Operations and Procurement staff.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

5. A process of regular review and updating of the Council's Procurement Standing Orders helps in managing any risks associated with procurement activities. This includes:
  - a. Reducing the risk of legal challenge to contracts – by ensuring that legislation is built into our rules and best practice into our processes.
  - b. Improvements to strengthen our ability to deliver and monitor contracts which drive value for money for the whole Council.
  - c. Ensuring proper controls are in place across the process, to ensure public money is being properly spent.
  - d. Supporting efficiencies of the developing partnership working with East Sussex County Council, Brighton and Hove City Council and other potential partner organisations.

#### **Financial and Value for Money Implications**

6. There are no direct financial implications in these changes.

#### **Section 151 Officer Commentary**

7. Procurement Standing Orders are a fundamental aspect of the controls within local authorities to ensure taxpayers receive value for money. These should be reviewed on a regular basis to ensure they are fit for purpose. As a part of the audit plan, the implementation of new arrangements will be reviewed to ensure full understanding by users.

#### **Legal Implications – Monitoring Officer**

8. The revised PSOs ensure that the requirements of the Public Contracts Regulations 2015 are accurately contained within the Council's constitution to

ensure that when Officers are procuring goods, services and works on behalf of the Council they are doing so lawfully.

9. In addition to the complying with the 2015 Regulations the PSOs set out the Council's requirements for procuring goods, works and services to ensure compliance with other relevant legal requirements including State Aid rules, IR35, social value, best value, equalities duties. Further the PSOs set out the internal requirements of the Council's constitution as reflected in the Scheme of Delegation.
10. Officers who procure on behalf of the Council should be alerted to the PSOs and ideally receive training in relation to the application to their role. If Officers do not comply with the PSOs they are putting the Council at risk of legal challenge.

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**WHAT HAPPENS NEXT:**

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11. The revised Procurement Standing Orders will be placed before full Council for approval on 5th December 2017.
12. We will monitor the progress of any new case law and legislation and update these Orders as necessary.

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**Contact Officer:**

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**Consulted:**

The revised Orders were prepared in consultation with Finance, Legal, Audit, Business Operations and Procurement staff.

**Annexes:**

Annex 1: Draft Procurement Standing Orders 2017 (the substantive tracked changes remain)

**Sources/background papers:**

Procurement Standing Orders 2015

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