

SURREY COUNTY COUNCIL**CABINET****DATE: 30 APRIL 2019**

**REPORT OF: MR MEL FEW, CABINET MEMBER FOR FINANCE
MS CHARLOTTE MORLEY, CABINET MEMBER FOR
CORPORATE SUPPORT**

LEAD OFFICER: ELIZABETH STAVRESKI, DIRECTOR OF PROCUREMENT

**COMMUNITY COUNCIL
VISION
OUTCOME:**

SUBJECT: REVIEW OF PROCUREMENT STANDING ORDERS

SUMMARY OF ISSUE:

The Procurement Standing Orders (PSOs) set out how the Council governs spending by Officers on goods, works and services. The PSOs have been reviewed to engender and support good decision making, streamlined and efficient work practices, proportionate risk management and partnership working.

The objective of these changes is to improve the decision making processes around major procurements, to ensure more meaningful engagement of formal decision makers, and to reduce the bureaucracy surrounding the process both within the Council and for tenderers. This will particularly benefit local small or medium-sized enterprises (SMEs) and voluntary sector bidders.

RECOMMENDATIONS:

That Cabinet notes proposed changes to Procurement Standing Orders (PSOs) and commends them to County Council for final approval.

REASON FOR RECOMMENDATIONS:

- Introduction of an annual forward procurement plan (APFP) which provides a platform for early sight of key strategic procurements, improved planning and management of procurement projects and identification of a future savings pipeline.
- Introducing more streamlined procurement thresholds, which reduces the burden on small and local business and the voluntary sector to win council work.
- Consistent and aligned policy and process across the Orbis partnership, engendering greater efficiencies, reducing bureaucracy and developing a flexible pool of expert resources to conduct procurement activity.
- Incorporating the latest legislative and regulatory changes.

DETAILS:

Business Case

1. The Procurement Standing Orders (PSOs) set out how the Council governs spending by officers on goods, works and services, consultants and contractors, and 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 Council spends around £820m annually with suppliers, of which 82% is through contracts.
3. These PSOs have four main purposes:
 - a. To ensure that the Council meets its statutory duty to deliver Best Value for Money and creates healthy competition and markets for the Goods, Services and Works purchased.
 - b. To be **transparent** to our residents about how the Council spend their money.
 - c. To ensure that public money is spent **legally and fairly**.
 - d. To support **sustainability** and **social value** objectives, and our public sector **equality** duty, encouraging local small businesses.
4. Amendments to the PSOs have been included in order to ensure that the Council maintains a fit for purpose set of policies and guidance to govern the procurement process. In summary the changes are as follows:
 - a. To implement an Annual Procurement Forward Plan (APFP) for all tenders over the Official Journal of the European Union (OJEU) threshold which Cabinet reviews each year and gives individual services and the Procurement Service authority to procure for the following year. This gives Cabinet early sight of all procurement activity and provides opportunity for greater influence and input into the strategic decision making. Cabinet may highlight and reserve the right to request that certain projects are brought back for review of the commissioning and procurement strategy prior to going to market (template attached Annex 1).
 - b. To simplify the governance of tender processes, removing the existing Sourcing Governance Board whilst maintaining effective risk management and audit trail of procurement strategy through service specific commissioning processes and governance.
 - c. Procurements not identified on the plan will require the Executive Director in consultation with the Lead member to seek formal authority to procure from the S151 Officer and Director of Procurement for under £1 million and Cabinet for over £1 million. For capital projects authority to procure must be sought from the Capital Programme Panel.

- d. To move the thresholds for formal tendering from £100,000 up to the regulatory limits of £181,302 for goods and services, £615,278 for health and social care, and £4,551,413 for works, and below these thresholds to require three quotations for spend over £25,000 (previously £15,000). This is intended to make it easier for local SMEs to bid for work with the Council. Below £25,000 services will have the flexibility to manage their own procurements, offering greater opportunity to source from local suppliers and reduced administrative burden.
 - e. Based on 2018 figures, the changes mean a reduction of 19 tenders and services would handle 176 of their own orders and are no longer required three quotes.
 - f. Informational text which duplicates legislation is removed from the PSOs, and will be revised to form clear, easy-to-use guidance for both Procurement officers and clients and published in the same timescale as the revised Orders.
 - g. The APFP removes the need to go to Cabinet for the award of contracts as the new process as set out in (a) ensures Cabinet is engaged at the most effective point which is when commissioning and procurement strategy decisions are being made.
- 5. The revised Orders are attached as Annex 2.
 - 6. The equivalent Orders in East Sussex County Council and Brighton and Hove City Council are being revised along similar lines, to support effective partnership working in Orbis and more efficient use of resource.

CONSULTATION:

- 7. 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.
- 8. The revised Orders were prepared in consultation with senior stakeholders from services, as well as Finance, Legal, Audit, Business Operations and Procurement staff.

RISK MANAGEMENT AND IMPLICATIONS:

- 9. The Procurement Standing Orders are to be reviewed annually and on occasion may require updating more frequently to address any significant issues and risks or changes. This includes:
 - a. Providing a robust procurement framework and streamlined processes which engender value for money and accountability while minimising the risk of challenge and burden of compliance.
 - b. Introducing improvements to strengthen our ability to deliver and monitor contracts which drive value for money for the Council and support partnership working.

- c. Establishing proportionate risk management and controls to drive good decision-making and value for money.
- d. Supporting efficiencies and partnership working with East Sussex County Council, Brighton and Hove City Council and other partner organisations.

Financial and Value for Money Implications

- 10. There are no direct financial implications in these changes.

Section 151 Officer Commentary

- 11. The changes proposed in this report are considered to be a positive step forward in good procurement governance practices and processes. Having a forward plan with early sight of activity with processes which are aligned, streamlined and create flexibility, are part of good financial management practices overall.

There may be small risks associated with increasing the threshold from £15k to £25k, however in the context of overall £820m spend across the Council, it is felt that the cost of administrative effort is outweighed by the opportunity to divert resources into delivery of strategic high value projects. The controls in place which facilitate mitigation of risks includes: an authorised requisitioner and a budget approver of all spend irrespective of value, and public reporting of all spend over £500 and contracts over £5000.

Legal Implications – Monitoring Officer

- 12. Under Section 135 of the Local Government Act 1972 the Council must maintain standing orders concerning the supply of goods or works to it and may make standing orders for all other procurement matters. Furthermore, the Public Contracts Regulations 2015 requires all contracting authorities (such as the Council) to treat suppliers equally and without discrimination in a transparent and proportionate manner. The Council's revised Procurement Standing Orders are intended to achieve these requirements and assist the Council in securing best value in its procurement activities while complying with its legal duties.

Other Implications:

- 13. There are no significant implications upon key council priorities and policy areas.

WHAT HAPPENS NEXT:

- 14. The revised Procurement Standing Orders will be placed before full Council for approval on 21 May 2019.
- 15. Procurement will monitor the progress of any new case law and legislation and update these Orders as necessary.

Contact Officer:

Derek Lancaster, Head of Improvement and Development, Procurement Service

Consulted:

The revised Orders were prepared in consultation with senior stakeholders from services, as well as Finance, Legal, Audit, Business Operations and Procurement staff.

Annexes:

Annex 1: Draft template for Annual Procurement Forward Plan

Annex 2: Draft Procurement Standing Orders 2019

Sources/background papers:

- Procurement Standing Orders 2017

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