



GOVERNANCE COMMITTEE

26 May 2016

Subject Heading:

**Contract Procedure Rules and
Procurement Strategy**

CMT Lead:

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Policy context:

The decision on whether to adopt the proposed revisions to the Contract Procedure Rules and Procurement Strategy which will ensure compliance in Havering's Procurement's activities in line with EU legislation.

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[X]
People will be safe, in their homes and in the community	[X]
Residents will be proud to live in Havering	[X]

SUMMARY

The attached draft Contract Procedure Rules (CPRs) and Procurement Strategy set out the approach and process for achieving improved procurement performance, greater efficiency and improvement in the delivery of community and economic outcomes from our procurement activity.

The current CPRs were agreed in 2012 and so are overdue for revision. The current Procurement Strategy was agreed in 2011 and expired in 2014 so is also due for revision.

The recent changes in the EU thresholds and the introduction of the Public Contracts Regulations 2015 have also been reflected throughout these documents.

RECOMMENDATIONS

That the Committee **recommend to Council** that it:

1. **Agree to adopt** the draft Contract Procedure Rules set out in **Appendix A** with immediate effect and authorise the Monitoring Officer to make any such changes as may be necessary to the Council's Constitution.
2. **Accept** the attached draft Procurement Strategy (**Appendix B**)

REPORT DETAIL

1. The new Contract procedure Rules (CPRs) and Procurement Strategy will achieve significant savings through improved procurement management. Collaboration is very much at the heart of this as we seek to maximise the efficiencies identified through oneSource and through our work with other councils and public bodies. We will procure in innovative ways, focusing on delivering the best value for residents.
2. The documents attached in appendices A and B set out how we and our partners will work together to drive up procurement efficiency so that the services we provide to residents offer maximum value, are affordable and are aligned to the Council's Objectives.
3. The Council's CPRs were last agreed in 2012 and the Procurement Strategy in 2011. Since that time significant changes have been made to the governance of the procurement process which has resulted in improvements in the way that the Council undertakes its procurement activity, but these changes are not reflected in the documents currently in use.

Key areas of change

Procurement Strategy

The draft strategy sets out key areas for focusing effort and realising improvement:

- **Value for money;** through efficient contracts that deliver high quality goods and services at a competitive price.
- Using the Council's purchasing power to boost Havering's economy and long term economic **sustainability**, through maximising the opportunities for local businesses to provide services and helping ensure that where possible contractors actively seek to employ and train local residents.

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- **Community benefit;** to ensure opportunities for local economic, social and environmental benefits are achieved through our contracts to meet local residents' priorities. The specification for our contracts can play a key part in helping to ensure contractors are fully contributing to delivering our vision for Havering.
- **Innovation and partnerships;** to ensure in the right circumstances joint working can deliver efficient, cost effective, risk-sharing solutions and new and better models of service delivery. We are working to develop different ways of providing and buying goods and services so that we can continue to improve value for money while not reducing quality. Local authorities often contain many different departments or business units which have their own purchasing challenges. It can be difficult to ensure that all buyers purchase the best products and procure them at the best price. In the retail sector, innovators like Amazon, set up digital marketplaces that help buyers to access catalogues of products. In these systems, suppliers openly compete against each other in a controlled environment, which is why we are pioneers in helping to develop such a solution and integrating it into local authorities.

Contract Procedure Rules

- The introduction of e-tendering (CPR 2)
- Introduction of the pilot Checkpoint process for all procurements above EU Threshold (CPR 8)
- The publication of opportunities on Contracts Finder (CPR 9.10)
- An increased emphasis on e-auctions to secure additional savings (CPR 9.11 – 9.12)
- The use of *Constructionline* (CPR 13), collaborations and joint commercial enterprise and public sector spin-outs (CPR 23)
- The introduction of the Social Value Act 2012 (CPR 15)
- 70:30 cost:quality considerations in awarding contracts (CPR 18.4)
- An increased focus on Contract Management (CPR 21)
- The introduction of European 'State Aid' Rules (CPR 26)
- The introduction of the Public Contracts Regulations 2015

Changes have been made to the CPRs and Procurement Strategy to ensure compliance with the Public Contract Regulations 2015 and with the new EU Thresholds for Supply, Services and Works.

The new documents ensure best practice, provide an extra emphasis on financial savings and ensure contract performance is maximised. They should deliver a more efficient procurement process and enable cost savings across the Council.

IMPLICATIONS AND RISKS

Financial implications and risks: None

There are no financial implications associated with the proposed changes. E-auctions will secure additional financial savings for the Council which will be captured by the service area.

The introduction of the 70:30 evaluation model centres on having a specification that meets the minimum requirements of the Council when procuring so will ensure that best value is achieved whilst not compromising on quality.

The introduction of the Checkpoint pilot is ensuring that budget and savings are scrutinised at an earlier point in procurements. Finance has a seat on the Checkpoint Panel enabling them to have earlier visibility of all procurements over the EU threshold and identify potential savings from the service areas.

No additional funding is required to implement the new CPRs or Procurement Strategy as there are no additional associated costs to either the Strategic Procurement Unit or to those who procure in the service areas. Many of the changes which the updated documents reflect have already been implemented (e.g. capital Sourcing and the new EU Thresholds).

Legal implications and risks: None

The Council has powers to set CPRs under Section 135 of the Local Government Act 1972. The Council is required to make CPRs for the making of contracts for the supply of goods, services and works. This includes a provision for securing competitions and regulating the manner in which tenders are invited. The Council's CPRs form part of the Council's Constitution.

Human Resources implications and risks: None

Equalities implications and risks:

The strategy sets out the proposed approach for ensuring community services are inclusive and benefit all Havering residents. Existing measures to address equalities through procurement include pre-qualification vetting, the drafting and use of community benefit clauses that are available for inclusion with council contracts, and the periodic monitoring of our performance in areas linked to delivery specific community benefits.

The Council places an emphasis on increasing the personal and economic capacity of residents in the borough, in particular through access to jobs and other economic opportunities. The Procurement Strategy will support this objective through enabling access to local labour and the use of local contractors.

BACKGROUND PAPERS

None.