

The New Procurement Rules

Procurement and Contract Procedure Rules



Version 1.2 – January 2020

FAREHAM
BOROUGH COUNCIL

The First Annual Review of how it has been going...

Audit and Governance Committee 19 October 2020

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Introduction

- The new Procurement and Contract Procedure Rules (PCPRS) went live October 2018
- One of the Safeguards in the Rules was an annual review which is reported to the Senior Management Team.
- The A&G Committee also requested feedback after the first year.
- This presentation, therefore, reports back on the results of the first annual review of how things are going under the new regime. The work for this review was completed in February 2020.

Contents

- Rolling out the New Rules
- Current Supplier database profile
- Department Supplier spend profile
- Annual testing of understanding of spend - Results
- What procurement methods are being used
- Next Actions Proposed

Rolling out the new Rules

RECAP – Key Rule Changes

- Encouraging positive behaviours
 - Know your spend / Justify your spend / Demonstrate VFM
- Fewer thresholds and prescribed actions
 - Significant Value Threshold £100k – Must liaise with the experts
 - Member approval over £250k
- Lots of Route to Market Options
 - Tender route expected if certain factors apply
 - Try to invite one local SME
- Reduce need for waivers

How we rolled it out

Communications

- Senior Manager's workshop
- Finance/Procurement/Audit Training Sessions
- SID Notice
- Department Workshops
- Supplier Spend tool training
- Leader and A&G Committee Briefings

Any Issues?

- Generally positive process and improved engagement with Procurement team
- Some delays with workshops and supplier tool availability
- Added Table of approval flow into the rules to help deal with questions
- Examples of escalation happening

Current Nature of FBC Suppliers (Local SME)

One of the things we are trying to do with the new rules is encourage the use of local and SME suppliers, so we have carried out some analysis of our supplier database as a baseline in order to assess the impact of our agreed actions.



Actions Taken to engage with Local SMEs

- ✓ Services encouraged to source potential local SMEs
- ✓ Business meetings with FSB / Chamber of Commerce
- ✓ Responsive Repairs contracts – Open Meeting at Fhall
 - ✓ Of the total of 45 resulting contracts – 82% are Local SMEs
 - ✓ 7 other winning Local SMEs in pipeline analysis
- ✓ Purposefully tailored tender documentation + assistance from procurement team

Supplier Analysis Issues

1. Which Suppliers to Include?

- Excluded:
 - Refunds
 - Payments to landlords
 - Payments to employees
 - Treasury Management
 - Conveyancing
 - Local and Central Government
 - Temporary creditor with 1 or 2 payments

ACTION – Working Group to agree the definition and flags to use for future analysis. Add to tool filters.

ACTION – Review of New supplier form flow as part of New finance system (what data do we need to capture / Data transfer cleanse on local and SME suppliers)

2. What does Local Mean?

- Currently assess on the Head Office
- Should we include if they have a local, satellite office?
- Are we more interested in the impact of the supplier in the local economy, distance away and affect on carbon footprint?
- Also subcontractor impact

3. Which First – Local or SME ?

ACTION – Redefine what local means to us in respect of what we are trying to achieve from our Procurement Rules and update the supplier flags in the database.

Local Suppliers on our Database (who received a payment from us)

	2018/19	2019/20 at the end of Jan
Total number of suppliers flagged as Local	392	373
Total number NOT	563	516
Total number without any flag	158	117
	1113	1006
% Local - numbers	41%	42%
Total spend Local (over £0)	£9,337,934	£8,506,710
Total spend NOT (over £0)	£9,681,455	£8,716,667
Total spend without flag	£491,631	£422,217
	£19,511,020	£17,645,594
% Local - value	49%	49%

Local & SME Suppliers

	2018/19	2019/20 at the end of Jan
Total number of Local suppliers with SME flag (Yes, Y1, Y2, Y3)	359	341
Total number of Local suppliers NOT	33	32
	392	373
% Local & SME - numbers (of the local)	92%	91%
% Local & SME - numbers (of all with flags)	38%	38%
Total spend Local & SME (over £0)	£7,788,528	£6,693,159
Total spend Local & NOT (over £0)	£1,549,406	£1,813,551
	£9,337,934	£8,506,710
% Local & SME - Value (of the local)	83%	79%
% Local & SME - Value (of all with flags)	41%	39%

Managers understanding of their spend

Results of Audit Testing 2019/20

What we did?

- Interviews with Cost Centre Managers and Authorisers using a standard set of questions
- Sample of 34 Suppliers (out of 1,400) covering the 3 types of spend
 - On Procurement Pipeline Log -14
 - Over £100,000 not on the Pipeline Log - 9
 - Under £100,000 -11
- Advance notice of what was in the sample
- Some audit review of what the nature of the spend was
- Outcomes - rating what they were overall by manager and by topic

Overall Ratings

Overall level of manager compliance assessed through interviews = **93%**

- Highest 100% (1 service)
- Lowest 87% (1 service)

Managers found to have taken the review seriously and prepared for the discussion; all showed good awareness of the new rules.

Actions Arising From Discussions

Supplier spend tool	Ensure full training rolled out across all Services
Budget Monitoring	Extra meetings between managers will be set up with their Finance Budget Partners to discuss budget levels and provisions and supplier spend, where a gap was identified
Authorisation of Spend	The relevant Authorisers have been reminded to obtain adequate documentation to support the spend before they authorise any requests on behalf of other departments.
Market testing	Services should review the market for suppliers used for a number of years to verify whether an alternative supplier has appeared on the market that could be used resulting in further financial savings for the Authority.
Value for Money	Further guidance considered on how value for money of a purchase should be balanced against the budget constraints and the risk with that type of supply

Procurement Methods Used

NB This data is taken for the procurement team database so will be biased to what procurement have been involved with. However, testing of what was going on across the council was explored in the managers' discussions covered above

Procurement Method by Value

	Under £100k	£100k - £250k	Over £250k	Total
Non-Tender	6	1	0	7
Tender - Any	4	15	8	27
Tender - Non OJEU only	13	6	0	19
Tender - OJEU only	1	1	3	5
	24	23	11	58

Compliance with OJEU

- ✓ 3 Works over £500k – used open tender
- ✓ 1 Goods contract over £100k was not tendered but used a framework call off. The total value of the contract was below the OJEU threshold for goods.

Examples of Improved Deals Achieved

- ✓ £46k (10%) saving for Fareham in Insurance retender through the HIF

Work still to do to capture this information especially as cost is not the only criteria in a “good deal”

Other actions Proposed

- ✓ Next years audit to also cover:
 - Records kept to support delegated decisions
 - Member consultation happening as required
- ✓ Negotiation training
- ✓ Contract Management training