

# Agenda Item 48.

<b>TITLE</b>	<b>Review of proposed additions to the Procurement and Contracts Rules and Procedures</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 7 February 2018
<b>WARD</b>	None Specific
<b>DIRECTOR</b>	Graham Ebers, Director Corporate Services

## **OUTCOME / BENEFITS TO THE COMMUNITY**

Enabling the consistent delivery of services to our communities in the most cost effective way by ensuring compliant procurements are undertaken.

## **RECOMMENDATION**

The Audit Committee is asked to recommend to Council, via the Constitution Review Working Group, the changes detailed below to the Council's Procurement and Contracts Rules and Procedures (PRCP) which form part of the Council's Constitution (Chapter 13).

## **SUMMARY OF REPORT**

The Council's Procurement and Contracts Rules and Procedures (PCRCP) were developed in response to the new Public Contracts Regulations 2015 (PCR2015) and formally adopted, as Chapter 13 of the Constitution, at the Council Meeting on 19 Nov 2015.

The proposed changes detailed below have been reviewed and approved by the S151 Officer and Monitoring Officer.

From the 1<sup>st</sup> April the Council is adopting e-procurement software. This is in order to comply with mandatory requirements in PCR2015 and will also improve the procurement process.

E-procurement software has the following benefits:

- It automates the controls detailed in the PCRCP
- It increases the transparency of procurements
- It automatically creates a contract register
- It makes it easier for suppliers to find opportunities (particularly lower value and so should be more attractive to SMEs)
- It removes the risk of any tampering with tenders
- It makes it effective to operate a dynamic purchasing system
- It enables automatic compliance with transparency data

Due to these benefits there are two substantive changes to the constitution that change the control environment: remove the provisions related to tender openings and introduce a threshold for tenders between £5k and £50k to mandate the use of electronic 'Quick Quotes'.

There have been a number of other “housekeeping” changes in relation to terminology and moving information from the appendices to the main body of the document, which have no material impact on controls.

## **Background**

The PCR2015 requires that “...all communication and information exchange..., shall be performed using electronic means...” for local authority procurements by the 18<sup>th</sup> October 2018. To ensure we are fully compliant by the deadline, WBC intends to implement electronic means from 1<sup>st</sup> April 2018. There are significant benefits from this move to e-procurement software for the Council, with a number of areas where controls have been improved (largely via automation and improved transparency).

We have taken the opportunity to update the PRCP to bring it into line with the e-procurement system to help officers with a consistency of terminology.

There are updates to the job and departmental name changes following 21<sup>st</sup> Century Council implementation. Some information has been brought into the body of the PRCP from the Appendices.

## **Analysis of Issues**

It is proposed to remove the formal tender opening “ceremony” as the e-procurement system automatically controls all the risks that this event is designed to prevent.

The current control for tender receipt is that paper copies of tender submissions are received by Democratic Services prior to the deadline and then a tender opening ceremony is convened where by representatives from the relevant service, democratic services and finance. Internal audit are notified of all tenders but only attend occasionally. At the tender opening officers check that the tenders:

- have been received prior to the deadline,
- have not been opened or tampered with,
- that the tenderer cannot be identified from the outside of the package,
- and date stamp the finance information page.

This process takes around 15-20 minutes on average but for tenders where there are many tenderers and financial information is difficult to find in the submission, they have taken over an hour.

E-procurement automates these controls by operating an electronic lock-box for tenders. All tenders are date & time stamped, with any late tenders clearly identified and separated from the on-time tenders. No council officer can view any tenders prior to the deadline. This removes any risk of information from tenders being shared inappropriately. Once the deadline has passed, the lock-box is opened and no-one (tenderers or officers) can amend any of the submitted tender documents. There is a complete audit trail of all actions by all participants and there is no way for these controls to be overridden. The e-procurement system’s controls are stronger than the existing manual controls and therefore the elements in the constitution related to tender opening should be deleted. Another aspect of tender opening is the verification of budget sufficiency against the tendered prices, allowing any issues to be resolved prior to contract award. E-procurement handles this through a bespoke event, which allows

assigned Finance Officers to review the tenders and indicate their approval; only specified Officers, defined within the system, may make this approval.

The PCR2015 does not prescribe a procurement process for procurement under the value of £50k, but requires any tender that is advertised and greater than £25k to be placed on Contracts Finder. Currently, for tenders under £50k, Officers are required by PCR2015 to obtain 3 written quotes. As individual Officers operate this manual process, it lacks transparency. Our transparency obligations require all contracts over £5k to be published but, for contracts under £50k, this relies on individuals manually recording the information correctly.

E-procurement has a 'Quick Quote' function where officers can quotes from suppliers through the e-procurement system. This has several advantages:

- More potential suppliers can easily be contacted.
- Records are automatically maintained of opportunities, quotes and outcomes.
- The system automatically creates a contract record.
- The system automatically enables compliance with transparency records

We are therefore proposing to create a £5k to £50k threshold within the Constitution to ensure that we are able to comply with transparency obligations and provide greater visibility to the quotation process used for purchases under £50k.

**FINANCIAL IMPLICATIONS OF THE RECOMMENDATION**

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

<b>Other financial information relevant to the Recommendation/Decision</b>
None

<b>Cross-Council Implications</b>
These changes apply to the council procurement process and therefore has the ability to impact across all the council’s services. The changes help to ensure that council officers are complying with the PRCP and procurement law.

<b>Reasons for considering the report in Part 2</b>
None

<b>List of Background Papers</b>
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Procurement and Contracts Rules and Procedures (Constitution - Chapter 13)
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