
PROCUREMENT FORWARD PLAN

Responsible Cabinet Member – Councillor Harker, Resources Portfolio
Responsible Director – Lorraine O’Donnell, Assistant Chief Executive

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is to present
 - (a) the criteria for determining what constitutes a strategic and non-strategic procurement and
 - (b) the Procurement Forward Plan.

Summary

2. The Council’s revised Contract Procedure Rules were approved by Cabinet on 12th February 2008 and adopted by Council on 28th February 2008. The rules were revised to enhance members’ role in procurement and to enhance efficiency. The new rules came into force on 1st May 2008.
3. Under the new rules one of the responsibilities for Cabinet is to agree the annual Procurement Plan that will identify the route that contracts will take i.e. Cabinet decisions for all strategic procurement activity and officer decisions for routine procurement.
4. A set of criteria has been developed to assist in determining whether a contract would be deemed strategic or non-strategic. The criteria are based on value and significance with each category being scored between 1 (low significance) and 5 (high significance). Any contract with a value in excess of £5,000,000 is automatically deemed strategic. If the value of the contract falls below £5,000,000 but scores 15 or more on significance then that is also considered strategic. However Members and Officers may decide to recommend other than what the score suggests.
5. Officers were asked to provide information about all contracts with a value in excess of £75,000 that are to be tendered in the next 12 to 18 months. These contracts have been assessed against an agreed set of criteria to determine whether they are strategic or non-strategic (see **Appendix 3**).
6. To accommodate the need to make an urgent decision to delegate non-strategic contract award decisions to officers it is proposed that for any contract with a value of above £75,000 but below £250,000, this decision can be made by the Assistant Chief Executive, in consultation with the Resources Portfolio holder

Recommendation

7. It is recommended that
 - (a) members approve the criteria for determining whether a procurement is strategic or non strategic;
 - (b) approve the assessment of strategic and non-strategic contracts as presented in **Appendix 3** and that:
 - (i) the procurement strategies for those contracts designated as strategic be brought to Cabinet for approval in advance of the tenders being issued and that the contract award decision be made by Cabinet.
 - (ii) the contract award decisions for the remainder of the contracts in **Appendix 3** be delegated to the relevant officers as set out in the Contract Procedure Rules;
 - (c) the decision for delegating urgent contract award decisions for non-strategic contracts between the value of £75, 000 and £250,000 be delegated to Assistant Chief Executive, in consultation with the Resources Portfolio Holder.

Reasons

8. The recommendations are supported by the following reasons :-
 - (a) The revised Contract Procedure Rules require the production of an Annual Plan for approval by Cabinet. A set of criteria is needed to help determine whether procurement is strategic or non-strategic.
 - (b) The Contract Procedure Rules require Cabinet to approve the designation of contracts as strategic and non-strategic and:
 - (i) The contracts designated strategic are of high value and high significance in respect of the impact on residents, Health & Safety and public safety.
 - (ii) The contracts designated non-strategic are of a lower value and lower significance in respect of the impact on residents and public safety.
 - (c) To allow urgent decisions to be made for non-strategic procurement.

Lorraine O'Donnell
Assistant Chief Executive

Background Papers

Cabinet 290408 Procurement Interim Arrangements

Susan White: Extension 2019

S17 Crime and Disorder	This decision will not have an impact on Crime and Disorder
Health and Well Being	This decision will not have an impact on Health and Wellbeing
Sustainability	This decision will not have an impact on Sustainability.
Diversity	This decision will not have an impact on Diversity
Wards Affected	This decision will not affect any wards
Groups Affected	This decision will not have an impact on any groups.
Budget and Policy Framework	No
Key Decision	Yes
Urgent Decision	No
One Darlington: Perfectly Placed	This decision will not have an impact on the objectives of the Sustainable Community Strategy

MAIN REPORT

Information and Analysis

9. The Council's revised Contract Procedure Rules were approved by Cabinet on 12th February 2008 and adopted by Council on 28th February 2008. The rules were revised to enhance members' role in procurement and to enhance efficiency.
10. The new rules came into force on 1st May 2008. The main responsibilities under the new rules are:
 - (a) Council's role is to agree the rules and any subsequent revisions of these;
 - (b) Cabinet's role is to agree the annual Procurement Plan which will identify the route that contracts will take i.e. Cabinet decisions for all strategic procurement activity and officer decisions for routine procurement;
 - (c) Each Strategic Procurement exercise will have a procurement strategy which will identify how the procurement activity will be carried out, including the identification of the criteria that will be used to appraise competing tenders. Appropriate consultation will also be described;
 - (d) Strategic Procurement Decisions will be taken by Cabinet;
 - (e) Resources Scrutiny has a critical role in monitoring the effectiveness of procurement decisions.
11. Any contract award decision with a value below £75,000 is delegated to officers. In the new arrangements an annual Procurement Plan will be produced listing details of all existing and new contracts that are above £75,000 and which require a tender process. It will detail the existing contracts that are due to expire in the next 12 months as well as any new contracts we know are going to be tendered in the same time period.
12. The purpose of this plan is for members to decide, in advance based on pre-determined criteria, the route contracts will take: Cabinet decisions for all strategic procurement exercises or officer decisions for routine procurement. For those contracts designated strategic, a procurement strategy must be produced, the implementation of which would be monitored by Resources Scrutiny. The final contract award decision will be a Cabinet decision. As set out in the Contract Procedure Rules the contract award decision for those contracts not considered strategic will be through delegation to officers.
13. Contracts are generally let with the option to extend on the same terms and conditions subject to continued good performance of the contract. It is the intention to take up the option to extend on a number of contracts the details of which are in **Appendix 1**.

Criteria

14. A set of criteria have been developed based on value and significance (see **Appendix 2**). If a contract value is in excess of £5,000,000 then the procurement will be automatically considered strategic. If the value of the contract falls below £5,000,000 then the officers carrying out the procurement will need to assess the contract against the significance criteria.
15. If, following the assessment, a score of 15 or more is reached then the procurement is also considered to be strategic. Details of which contracts are designated strategic and which are designated non-strategic are detailed in **Appendix 3**. However Members and Officers may decide to recommend other than what the score suggests. Anything else would be

considered non-strategic.

16. Two of the contracts on the list, Electricity and Residential Care, are of a high value i.e. in excess of £5,000,000. Based on the attached criteris these contracts should be designated as strategic. They are not marked so for the following reasons:
 - (a) Residential Care – these contracts are for the long term residential care of older people. The contracts are managed through a quality system and regular monitoring is carried out to ensure the companies are compliant. New providers of residential care are accepted as long as they agree to our terms and conditions and are prepared to work to the quality standard. Contracts terms and conditions are reviewed and re-negotiated every three years. As there will be no award decision to be made the contracts are not designated strategic.
 - (b) Electricity – this contract is for the supply of electricity to the authority. Darlington is a full member of the North Eastern Purchasing organisation (NEPO) and as such we take advantage of the collaborative purchasing power of the regional authorities when tendering for this contract. The contact award decision is made by the NEPO Joint Committee which is made up of elected members from all the regions authorities.
17. It is recognised that whilst the value of the contract, based on previous spending patterns, is relatively easy to predict and therefore an objective decision can be made, the significance criteria are much more subjective. Obviously this could lead to inconsistencies in the assessment of contracts to determine whether they are strategic or non-strategic. The scores will be moderated by the Head of Strategic Procurement and Contract Management and Assistant Chief Executive to ensure consistency of application. It is intended to assess the effectiveness of the criteria over the next six months with a view to revising if necessary.

Urgent decisions

18. The aim is to bring the Procurement Forward Plan to Cabinet once a year and if necessary occasional updates. That is why officers have been asked to be particularly diligent in ensuring there is as much information on the contract list as possible at this time. However it is recognised that there are going to be instances where, through unforeseen circumstances, it is not possible to include a contract in a Cabinet report. In this instance an urgent decision would be needed to delegate a non-strategic contract award decision to officers.
19. To accommodate this situation it is proposed that for any contract with a value of above £75,000 but below £250,000, the decision to delegate the contract award to officers can be made by the Assistant Chief Executive in consultation with the Resources Portfolio holder. Officers must assess the contract against the matrix and present the outcome and their reasons for urgency in a written report to the Corporate Procurement Unit, Assistant Chief Executive and the Resources Portfolio holder who must agree that it is non-strategic. A record will be made of the decision and reported to Cabinet with the next Procurement Forward Plan. It must be reiterated that this procedure will be invoked only in cases of extreme urgency.

Outcome of Consultation

20. Consultation has been undertaken with Departments on the contracts to be included in the report.