

**ADVERTISING THRESHOLD FOR MKC CONTRACT OPPORTUNITIES**

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**1. Purpose**

- 1.1 To consider recommending that Council increase the threshold for mandatory advertising of contract opportunities from the current level of £5,000 to £25,000.
- 1.2 The primary purpose of this proposed change will be to free resources in the Procurement Team so that they can be redirected onto more strategic input, as well as contributing to the delivery of the proposed budgetary savings in the Procurement team.

**2. Recommendations**

- 2.1 That the Council be recommended to update the Contract Procedure Rules as summarised at Section 4.1 below.
- 2.2 That the Leader of the Council be requested to update his Procurement and Financial Scheme of Delegation by increasing the Budget holder limit for inviting awarding contracts to £25,000.

**3. Issues and Choices**

- 3.1 The Council has a legal duty to follow the Public Contract Regulations (PCR) 2015, which define rules for public bodies to adhere to when spending public money, including the requirement to advertise contract opportunities over a minimum threshold of £25,000. All local authorities are also required to use a single Government portal (Contracts Finder) to advertise contract opportunities over the minimum threshold.
- 3.2 In addition to its legal duty, the Council has established Contract Procedure Rules, which form part of the Council's constitution and govern the approach in relation to entering into contracts with third parties. Benchmarking with other authorities has revealed that, the thresholds to advertise vary, with some authorities advertising contracts with a value as low as £10,000. However, most local authorities advertise at £25,000 and above, in line with the Government legislation. The Council's threshold for advertising and obtaining quotations is only £5,000 and above, which is unusually low for a local authority of its size and well below the threshold set by legislation.
- 3.3 Over the last year, the Procurement Team has led a number of changes to streamline and improve the procurement process, placing more emphasis on the pre procurement activity. The Team has also consolidated individual low value purchases into single contracts, to reduce the volume of individual adverts and quotes now being processed to enable low value orders to be managed more efficiently. To help support a shift in the Procurement Team's focus it is recommended that the threshold at which contracts must be advertised and procured via central procurement be increased from £5,000 to £25,000. This would enable individual budget holders to procure directly, without referring to the Procurement Team.

- 3.4 To ensure transparency, value for money and continued opportunities for local providers, it is recommended that the Contract Procedure Rules are updated to include a requirement for a minimum of three email quotes being sought for tenders between £5,000 and £25,000, and this should include quotes from at least two local providers where possible. As part of the transfer to the new arrangements, the Procurement Team will provide guidance and training for budget holders who require support on running quotations. The appropriate guidance and self-service documentation to support this change will also be available as well as the Procurement Team being available to support if needed.

#### 4. Implications

##### 4.1 Contract Procedure Rules / Procurement and Financial Scheme of Delegation

The proposed change will require a small number of changes to the Contract Procedure Rules and Scheme of Delegation and these are summarised in the table below:

<b>Current Contract Procedure Rules</b>	<b>Proposed Change</b>
All proposed contracts over £5,000 must be advertised with at least three quotations being required via the e tendering system unless a waiver is approved	All proposed contracts over £25,000 are advertised via the e tendering system unless a waiver is approved
The current rules require at least one of the quotes to be from a local provider where possible for requirements between £5,000 and £100,000	That at least two quotes to be from a local provider where possible for requirements between £5,000 and £100,000, noting that between £5,000 and £25,000 direct quotations will be sought via e mail without advertising
That all quotation requests above £5,000 are progressed via central procurement team	That all quotation requests above £25,000 are progressed via central procurement team
<b>Procurement and Financial Scheme of Delegation</b>	<b>Proposed Change</b>
Budget holder limit for inviting and awarding contracts currently £10,000 (Lines 12 and 15)	Budget holder limit for inviting awarding contracts increased to £25,000

##### 4.2 Impact on Local Suppliers

The proposal will also support local suppliers bidding for contracts in that below £25,000 bidders will only be required to submit email quotes rather than using the e-tendering system that some small providers find complicated. In addition where possible two local providers will be asked to quote rather than the one currently stipulated again increasing opportunities for local providers.

##### 4.3 Resources

Based on data from 2017/18, in the region of 100 quotations were processed by the Central Procurement Team and of these approximately 50% were below £25,000 in value.

The proposal would see individual contracting officers being responsible for managing the quotation process for proposed contracts below £25,000, which based on the latest data would result in c50 quotations being managed across the organisation with a total value of less than £1m. Individual contracting officers will still be required to comply with Central Government requirements on transparency and the Contract Procedure Rules including seeking the minimum amount of quotes required, adding these contract to the Council's central contracts register and raising waivers where a competitive process is not possible.

#### 4.4 Other Implications

None.

Background Papers:           None