

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS:</b> All
<b>REPORT TITLE</b> Revision to Contract Standing Orders	
<b>REPORT OF</b> Head of Procurement and Social Value	
<b>FOR SUBMISSION TO</b> Audit and Corporate Governance Committee	<b>DATE</b> 21 <sup>st</sup> September 2023
<b>SUMMARY OF REPORT</b>  <p>The Council spends approximately £460m per annum on external goods, works and services, with a variety of local, national and international organisations and businesses. The Council is taking a larger role in the commissioning of services in the local economy and is increasingly challenged to deliver value through collaboration, innovation and the use of technology throughout the supply chain.</p> <p>Contract Standing Orders set out how the Council authorises and manages spending and contracts with other organisations and have been in place since 2001, with revisions in 2011 and 2017. Since the approval of the current version further revisions are now required due to changes in government legislation, internal practice and revised financial thresholds stemming from year on year increases in inflation. This report therefore sets out the proposed amendments to Contract Standing Orders (and includes other minor/self-explanatory changes as highlighted in the appendix).</p> <p>These proposals will support the We Make Camden ambition that the borough's local economy is strong, sustainable and inclusive. They will also seek to maximise quality and enable innovation in the delivery of goods and services in the wider achievement of We Make Camden.</p> <p><b>Local Government Act 1972 – Access to Information</b></p> <p>No documents that require listing have been used in the preparation of this report.</p> <p><b>Contact Officer:</b>  Nicole Penn  Head of Procurement and Social Value  5 Pancras Square  London N1C 4AG  <a href="mailto:Nicole.penn@camden.gov.uk">Nicole.penn@camden.gov.uk</a></p>	

## RECOMMENDATIONS

That the **Audit and Corporate Governance Committee**:

1. Agrees the proposed changes to Contract Standing Orders, shown as tracked changes, on Appendix 1 and recommends those changes to Council.

That **Council**:

1. Agrees to change the Council's Contract Standing Orders as shown as tracked changes on Appendix 1.
2. Delegates authority to the Borough Solicitor to make the requisite changes to the Council's constitution.

Signed:



Borough Solicitor

Date:

12<sup>th</sup> September 2023

## **1. Purpose of Report**

- 1.1. The Council spends approximately £460m per annum on external goods, works and services, with a variety of local, national and international organisations and businesses. The Council is taking a more active role in the commissioning of services in the local economy and is increasingly challenged to deliver value through collaboration, innovation and the use of technology throughout the supply chain.
- 1.2. Contract Standing Orders (CSOs) set out how the Council authorises and manages spending and contracts with other organisations. This ensures that prior to any significant expenditure there is proper consideration of whether there is a need to purchase the service, and if there is a need, that the purchase is made in a fair, open and transparent way. The current CSOs, which govern the procurement decision making process, have been in place since 2001 with revisions in 2011 and 2017. Since the approval of the current version of CSOs, revisions are now required due to changes in government legislation and internal practice. Some financial limits have not been reviewed since 2001 and are now significantly out of date.
- 1.3. The CSOs also need updating to reflect the United Kingdom having left the European Union and the alternative requirements that Central Government has set in place as a result.
- 1.4. It is vital that CSOs are updated and refined so that the Council can make its processes more streamlined and improve the way we buy and enter into contracts. At the same time, it remains critical that we maintain appropriate levels of scrutiny and oversight. This will enable us to speed up decision-making for some procurement exercises, while maintaining sufficient oversight of all decisions. These changes will allow the Council to be more attractive to a wider range of start-ups, Small and Medium Sized Enterprises (SME) and Voluntary Community Social Enterprises (VCSE) wishing to do business with Camden by simplifying the processes and allowing more time for meaningful business engagement.
- 1.5. Changes to CSOs are a non-executive function and are published in the Constitution and therefore require the Audit and Corporate Governance Committee, in line with its terms of reference, to recommend to Council for agreement.

## **2. Proposal and reasons**

- 2.1. The Council is keen for the contracting experience not to be overly bureaucratic and lengthy to ensure smaller businesses engage in the process. There is a cost to submitting a tender or quotation for all businesses with no guarantee that they will be successful. Officers do not want procurement processes to act as a barrier for suppliers to engage with the Council. In addition officers have become more aware that for markets where work is plentiful contractors are less willing to spend the time bidding for work when other work is available directly to them.

- 2.2. In line with We Make Camden and our Social Value guidance officers want to provide opportunities and reduce barriers for Start-ups, SMEs and VCSEs. As part of Camden's Social Value work officers are working to support local businesses and by involving Camden SMEs in below threshold processes it is considered that more of our spend can be with the borough's local businesses. Given the cost of living and inflationary impacts and at a time when the Council is operating in a more financially challenging environment the need to support our local businesses is vital.
- 2.3. It is envisaged that the changes proposed will lead to a reduction in time and resource for both the supply chain and the Council. For the supply chain, it is hoped that this will encourage more suppliers to engage with the council as the resource commitment would be decreased. An expansion in the supplier pool would also better reflect the diversity of the supplier market (particularly in the technology field) and expose the Council to a wider range of experience, expertise and opportunities, creating greater potential for more effective and innovative service delivery. For the Council, work will be undertaken in a more efficient way. This will free up time to allow officers to focus on the delivery of the goods, works and services that help meet the needs and improve the lives of our residents.
- 2.4. Contracts with a value below £25,000 are currently awarded by Heads of Service on the basis of the best method available which objectively demonstrates that best value has been achieved. This value was applied in 2001 and has not been increased to reflect the rises in the costs of goods and services since then. This figure needs to increase to a level that reflects costs as in 2023. The rise will give increased flexibility to the decision making process. It will also save officer time for unnecessary processes that if undertaken would not necessarily see a return on the investment put in.
- 2.5. There are also occasions where an urgent works contract is required to enable the Council to comply with its regulatory requirements and for reasons connected with public safety. For these reasons a separate higher threshold is proposed whereby a Chief Officer may determine the best method of appointing a provider. These are also the areas where work is plentiful to contractors and this need for speed and certainty to the contractors has driven this suggested change. However the requirements for best value to be signed off is significant in ensuring that proper decisions are made as is the fact that all such transactions will be open to audit.
- 2.6. To help inform the proposed changes, officers have benchmarked current CSO requirements with those from three other local authorities (Islington, Westminster and Manchester). Officers consider that the proposed changes will continue to ensure appropriate scrutiny throughout the governance processes for expenditure of public money.

### **Proposed changes**

- 2.7. Officers want to ensure Camden's businesses have more opportunity in its procurement processes for those contracts with a value below the relevant UK procurement thresholds for goods, works and services, which have to be

widely advertised. It is now proposed to update CSOs for these types of processes, which typically involve inviting three suppliers to submit a quotation, to include Camden SMEs in the invitation where possible.

- 2.8. The Bank of England calculator can be used to compare the costs of goods and services between defined points in history. The calculator has shown that goods and services costing on average £25,000 in 2001 are worth £44,475.89 in 2023 based on the consumer price index inflation measure. Therefore it is proposed to increase the threshold for the value of contracts that can be awarded by a Head of Service, as set out in 2.4, to £45,000.
- 2.9. It is also proposed that the relevant Chief Officer may determine the best method of appointing a provider where the total contract value is estimated to be below £150,000 for those works described in 2.5 above. The proposed changes are set out in this report and is attached as Appendix 1.
- 2.10. There are additional changes proposed to CSOs to update the language to reflect the United Kingdom's withdrawal from the European Union. The revised CSOs proposed are attached as Appendix 1.
- 2.11. The new Procurement Bill is expected to come into force in October 2024. Officers will review CSOs again at this time to see if further changes are necessary. The review will also be an opportunity to make any further changes as a result of the proposals set out in this report.

### **3. Options**

- 3.1. The following options were considered:
  - Option 1 – Update CSOs as set out in this report:
  - Option 2 – Do not update CSOs and maintain the current threshold and governance requirements.
- 3.2. Option 1 is the preferred option. The proposals set out in this report will enable the Council to have thresholds and approvals in place that reflect current prices/requirements and urgent demands thereby helping to speed up decision-making, where appropriate, whilst still maintaining sufficient oversight of all decisions. It will also enable the language to be updated to reflect the United Kingdom's withdrawal from the European Union.

### **4. What the Key Impacts and Risks of the Intended Options Are and How They Will Be Addressed**

- 4.1. This change will save on officer time and allow them to procure more effectively at lower levels.
- 4.2. Raising the threshold from £25,000 to £45,000 does mean there is a greater risk for achieving value for money. As before, Head of Service will need to be satisfied that the best method for procuring has been determined to provide best value. In addition, all purchasing decisions will be open to audit.

- 4.3. The £150,000 threshold for regulatory or safety requirements, allows Chief Officers to more effectively act with speed and urgency on safety related works. This exception is to agreed in consultation with the Borough Solicitor.
- 4.4. Regular review of the CSOs will allow us to amend the thresholds over time and review any necessary amendments due to legislation changes, such as the new procurement legislation due to come into force next year.

## **5. Timetable for Implementation and Next Steps**

- 5.1. Should the proposed changes be agreed the Constitution will be updated with a revised version on the Council's website. Communications will then be rolled out to all relevant internal stakeholders explaining the amendments. In addition, the range of internal officer boards that oversee and scrutinise procurement exercises will operate in accordance with the updated CSOs and their respective Terms of Reference will be revised accordingly to ensure sufficient oversight is in place to support the amendments to CSOs. Procurement will also update their external and internal webpages as well as their own internal procurement guides and manuals.

## **6. Consultation/Engagement**

- 6.1. No formal or statutory consultation is required in relation to the recommendations set out in this report.

## **7. Finance Comments of the Executive Director Corporate Services**

- 7.1. The Executive Director Corporate Services has been consulted and his comments have been incorporated in the report.

## **8. Legal Comments of the Borough Solicitor**

- 8.1. The comments of the Borough Solicitor have been incorporated throughout the report.

## **9. Equalities Implications**

- 9.1. Having considered whether this report raises any issues of equality it has been concluded that it does not.

## **10. Environmental Implications**

- 10.1. The proposals in this report have no environmental implications. Procurement work with service leads and commissioners to address any environmental impacts their project may have.

## **11. Appendices**

- 11.1. Appendix 1 – Revised Contract Standing Orders

**REPORT ENDS**