

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Proposal to Uplift the Code of Procurement Thresholds

Meeting/Date: Corporate Governance Committee – 26th January 2022
Council – 23rd February 2022

Executive Portfolio: Councillor D Keane, Executive Councillor for Corporate Services

Report by: Justin Andrews, Assistant Director (Corporate Services)

Ward(s) affected: All Wards

Executive Summary:

A proposal to update the Code of Procurement within HDC's constitution to increase the procurement thresholds in line with peer organisations, to reflect the need for more dynamic purchasing options to meet post-COVID need. Further, to reduce the procurement administrative burden which outweighs the perceived VfM saving through onerous process-intensive rules. The new thresholds will allow faster purchasing of goods and services, allow enhanced social-value choices for local suppliers and reduce the overall cost of purchase whilst maintaining controls and staying within the UK government and EU regulations. This uplift refers only to the first two levels, raising the single quote limit to £10k and the three-quote limit to £50k. Beyond this, the existing regulations on advertising, formal quotation and competitive tendering remain the same which enables combining two levels into one.

Recommendation:

The Committee is

RECOMMENDED

to endorse the changes to the Code of Procurement to raise the thresholds for the lower levels and simplify the level structure – within the existing regulations, as amended by EU exit legislation to Council for approval.

The Council is

RECOMMENDED

to approve the changes to the Code of Procurement to raise the thresholds for the lower levels and simplify the level structure – within the existing regulations, as amended by EU exit legislation

1. PURPOSE OF THE REPORT

- 1.1 To inform Committee of the proposal to uplift the Code of Procurement to include higher purchasing thresholds and simplify the procurement process.

2. BACKGROUND

- 2.1 Our Code of Procurement currently sets out a series of thresholds or limits as a framework for officers to act when buying goods and services for the Council. The limits set are within the regulations and legislation, particularly with regard to the EU threshold, but also rely heavily on expert Procurement Officer support. Although the process and bureaucracy of the upper tiers are unavoidable and place a substantial burden on officer time, these thresholds are set by legislation and (formerly) EU regulations. We are at liberty to adjust tiers below these levels to reduce the burden on our officers and thus effectively increase productivity and value for money efficiency.
- 2.2 Further, the bureaucracy of the upper tiers also places local suppliers at a disadvantage as they do not have the expertise, time nor inclination to endure our processes for contracts of low value. This means we are limited to the 'bigger players' and inevitably this increases our costs.

3. RATIONALE

- 3.1 The limits we have set ourselves ensure we are getting value for money, but also acting within the expectations of public procurement policy to operate a fair system of open competition. However, the law of unintended consequences means that VfM is skewed by the amount of officer time taken to assess tenders and deal with the associated administrative burden of this process. Where officer time can run to many 10s of hours, the cost of this versus a saving of a few £100 or the odd £1k is unsustainable.
- 3.2 A second consequence is the disadvantage played to local and small to medium firms¹ that are not staffed nor experienced enough to deal with the tendering process we use and so lose out on potentially straightforward contracts. We have a desire to ensure a social value is a part of our procurement process, which we currently struggle to achieve based on our thresholds. Uplifting thresholds is a part of encouraging local and SMEs by making the contract amount worth their effort in negotiating our procurement process.

Officer Time Spent on Procurement

- 3.3 Analysis² conducted by the Procurement Manager in South Cambs (with similar existing thresholds to HDC) shows that by raising the procurement thresholds, officer time needed to process bids and manage procurement administration is reduced by 20%-25% (i.e. a whole day per week). Higher thresholds do yield another (smaller) reduction in officer time spent on procurement activities, but on balance, the desire to increase efficiency versus risk plus the drive to align with partner councils suggest the greater success will be with the thresholds chosen

¹ See Appendix for a Review of Barriers for SMEs Report from SCDC

² See Appendix for this data

4. THRESHOLD UPLIFT

- 4.1 The relevant part of HDC's constitution is the section entitled 'Code of Procurement'. The current limits we have imposed upon ourselves are in para 5.3 of this code (also in the table below). These thresholds are inclusive of VAT, so in reality the lower level amounts to only £4000 of purchasing power before needing to seek 3 quotes.
- 4.2 This proposal relates to the lower end of this spectrum, to uplift the 'purchasing power' for the 'estimates' levels (L1 & L2). It also 'merges' the formal quote and competitive tendering levels as this amounts to much the same thing in terms of complexity for potential bidders, officer time, and any contracts over £25k must be advertised on 'Contracts Finder' (the national procurement portal for public sector contracts).
- 4.3 The intention is that financial rigour is maintained by retaining the existing controls as specified in the Code of Procurement which ensure VfM and compliance with spirit as well as the letter of the regulations. The increase in the thresholds is an efficiency and flexibility measure which alleviates the administrative burden with minimal risk to financial propriety.
- 4.4 This change also replaces text referring to EU regulations, and where appropriate states World Trade Organisation (WTO).

Levels	Type	Old	New	Control Measure
Level 1	Single Quote	Up to £5k	Up to £10k	£5k< – must have had training
Level 2	3 quotes	£5k – £25k	£10k - <£50k	£25k< - must be approved by Procurement Officer
Level 3	Formal Quote	£25k - £100k		<i>Remove level, combined into 'Tender' level</i>
Level 4	Tender	EU Thresholds	£50k - WTO Threshold	<i>Expanded level</i>
Level 5	EU tender	EU Thresholds	WTO Thresholds	<i>No Change (remove EU terminology)</i>

5. REASONS FOR THE RECOMMENDED DECISIONS

- 5.1 This is a small change which has limited effect on risk and likelihood of fraud within HDC but enables easier access to HDC contracts to our local suppliers. It also gives HDC an enhanced ability to exercise better sustainability options and environmentally sound judgement in accordance with the Social Value Act 2012.
- 5.2 This change will align us with many other councils which have adopted higher thresholds, and South Cambs District Council (with whose advice and support this paper was written) are considering adopting these same threshold amendments. Further, this will enable a more streamlined working partnership with colleagues at SCDC and eventually Cambridge City Council, notably on joint procurement exercises which are increasingly common, through the various 3C shared services, particularly in tech. This will become increasingly important as we seek creative opportunities to share resource and make efficient use of expensive expertise in a new economic reality.

5.3 By aligning, insofar as practicable, our policies in common areas, our shared expert resource can expend less energy on remembering which set of rules any project or programme is working to, plus it further enables joint procurement across councils (such as the new HR system).

6. LIST OF APPENDICES INCLUDED

Appendix 1 – Other Councils' Thresholds & Barriers to SMEs
Appendix 2 – New Code of Procurement

7. BACKGROUND READING

- South Cambs Review of Barriers to Council Procurement for Small and Medium-Sized Enterprises Task and Finish Group (available upon request)
- Public Procurement form 1 January 2021 (available at [this webpage](#)).

CONTACT OFFICER

Name/Job Title: Justin Andrews Assistant Director (Corporate Services)
Email: Justin.Andrews@huntingdonshire.gov.uk

Appendix 1

OTHER COUNCILS' THRESHOLDS

Where two numbers are quoted, this is for Supplies/Services and Works respectively

Council	Lower / estimate	Mid – 3 quotes	Tender	EU	
Local					
South Cambs	<£5k	<£25k	£25k to EU	EU Threshold applies universally	
East Cambs	<£5k	<£25k	£75k to EU		
Cambridge City	<£5k	<£25k	£100k to EU		
Cambridgeshire County	<£2k	<£25k	£100k to EU		
Fenland	<£5k / <£10k	<£25k / <£100k	£25k to EU		
National					
Chichester	<£10k	<£50K	<EU		
Folkestone	<£10k	<£100k	<EU		
Worcester	<£5k	<£50k	<EU		
Derby		<£100k	<EU		
Richmond	<£1,500	<£50k	<EU		
Salford		<£75k	<EU		

BARRIERS TO SMEs

There are several recommendations in this report, which are readable across to HDC. However, most require a dedicated Procurement officer which we are in the process of seeking to hire. The recommendation in this report, which is addressed by here is:

An issue has been identified with regard the impact that the Council's procurement thresholds have on the ability of local SMEs to successfully tender for Council contracts and, as a result, their willingness to submit applications.

DATA FROM SOUTH CAMBS PROCUREMENT EXERCISE

Existing Model	2018	Officer Time		2019		Officer Time
	Vol	Days		Val		Vol
Tenders 25k +	17	144	£5,873,792	26	£410,390,765	250
3 Quotes 5k to 25k	8	15	£114,076	12	£162,391	22
Single Quote upto 5k	2	1	£7,349	0	£0	0
Total	27	159	£5,995,217	38	£410,553,155	272
Revised Model (Tenders 50k, Quotes from 10k)	2018	Officer Time		2019		Officer Time
	Vol	Days		Val		Vol
Tenders 50k +	9	91	£5,580,326	17	£410,049,918	190
3 Quotes 10k to 50k	13	24	£378,757	16	£474,543	29
Single Quote upto 10k	5	2	£36,134	5	£28,695	2
Total	27	117	£5,995,217	38	£410,553,155	222

Revised Model (Tenders from 75k, Quotes from 10k)	2018			2019		Officer Time
	Vol	Officer Time Days		Vol	Val	
	Vol	Days	Val	Vol	Val	Days
Tenders 75k +	4	58	£5,272,588	11	£409,646,931	151
3 Quotes 10k to 75k	18	33	£686,495	22	£877,530	40
Single Quote upto 10k	5	2	£36,134	5	£28,695	2
Total	27	93	£5,995,217	38	£410,553,155	193

Appendix 2

Proposed (new) Code of Procurement with tracked changes for ease of consumption.