

NOTTINGHAM CITY HOMES**REPORT OF THE ASSISTANT DIRECTOR OF
FINANCE AND PROCUREMENT****AUDIT COMMITTEE
14 JANUARY 2014****AMENDMENT TO THE COMPANY'S STANDING ORDERS: TENDER AND
CONTRACT PROCEDURE RULES****1 SUMMARY**

- 1.1 This report sets out a proposed change to the level at which the Company's governing documents require a formal tender exercise to be undertaken to identify the most economically advantageous bid, in relation to the supply of goods, works or services.

2 RECOMMENDATIONS

It is recommended that Audit Committee:

- 2.1 Approve the proposed amendments to the Standing Orders Part 3: Tender and Contract Procedure Rules as set out in section 3 of this report.
- 2.2 Agree the amendments to be minor and hence not requiring Board approval.

3 REPORT

- 3.1 The Tender and Contract Procedure (T&CP) Rules of the Company form part of Standing Orders and translate into practical guidance the Company's broad policies relating to financial, management and contractual control. The Tender and Contract Procedure Rules apply to every Board Member, Committee of the Board and staff member of the Company and, for the avoidance of doubt, Trustees, Directors, Officers and staff of any related party, Trust, Company or anyone acting on its behalf. The Board last approved the Tender and Contract Procedure Rules in July 2012.
- 3.2 A key part of the T&CP rules is the expenditure levels at which officers are required to either obtain quotes in relation to the supply of goods, works or services, or undertake a longer and more involved formal tender process. These controls are designed to secure and demonstrate Value for Money (VFM), mitigate the risk of fraud and/or improper conduct and, in respect of tenders, identify the most economically advantageous bid.
- 3.3 Small or even medium sized local companies as well as social enterprises, voluntary and community organisations in the City may often be discouraged from taking part in tender exercises as they feel that they either do not have the experience or skills to submit robust bids or cannot complete with large national suppliers. The Corporate Plan includes the commitment to support local social enterprises through our procurement activities and hence NCH wants to promote a level playing field for all

suppliers ensuring procurement is not unnecessarily time-consuming, expensive or overly bureaucratic so that such organisations are not disadvantaged or disengaged.

3.4 NCH is committed to supporting the Council’s local employment agenda and encouraging local spend through its activities i.e. the ‘Nottingham Pound’. Therefore, in order to encourage greater participation from local companies and social value adding organisations, balanced against the need to maintain adequate systems and secure VFM, the following amendments to the T&CP Rules tendering levels have been established.

Rule	Summary of Previous Rule	Summary of Amended Rule
3.2.1	<u>Expenditure/contract between £10k and £30k</u> Senior Procurement Officer must be consulted to confirm whether 3 quotes or a formal tender process are required	<u>Expenditure/contract between £10k and £50k</u> Senior Procurement Officer must be consulted to confirm whether 3 quotes or a formal tender process are required.
3.2.1	Where a corporate contract does not exist and the estimated value of the contract is more than £10,000 but not more than £30,000 the contract must be procured via the procurement team.	Where a corporate contract does not exist and the estimated value of the contract is more than £10,000 but not more than £50,000 the contract must be procured via the procurement team (tenders) or in full consultation with them (quotes).
3.2.2	<u>Expenditure above £30k</u> A formal tendering process shall be undertaken by the procurement team.	<u>Expenditure above £50k</u> A formal tendering process shall be undertaken by the procurement team.
4.4.1	For all contracts subject to a tender process every effort must be made to obtain the following number of tenders : <ul style="list-style-type: none"> • Estimate above £10,000 to £30,000 - three (3); • Estimate above £30,000 - four (4); and • Estimate above the relevant EU Threshold - five (5). 	For all contracts subject to a tender process every effort must be made to obtain the following number of tenders : <ul style="list-style-type: none"> • Estimate above £10,000 to £50,000 - three (3); • Estimate above £50,000 - four (4); and • Estimate above the relevant EU Threshold - five (5).
4.5.2	Where the estimated value of the contract is, £10,000 or above the public notice must state how interested persons may obtain tender documents and the last date when tenders will be received.	Where the estimated value of the contract is, £10,000 or above the public notice must state how interested persons may submit quotes or obtain tender documents and the last date when tenders/quotes will need to be received.

If adopted, it is proposed that the impact of these amendments then be

reviewed to see whether any improved outcomes could be further enhanced by increasing limits further.

- 3.5 It is necessary to consult with the City Council on changes to the Tender and Contract Procedure Rules to ensure that there is no divergence from the principles underlying their financial control systems. The amendments are consistent with the City Council's requirement for 3 quotes to be obtained for expenditure between £10k and £50k and the proposed change has been discussed with the City Council's Head of Departmental Finance.
- 3.6 Section 1.4.1 of the T&CP Rules requires the Board to approve all revisions to the Rules; however section 1.4.2 allows minor amendments proposed by the Director of Business Services to be approved by the Audit Committee. The amendments proposed are deemed to be minor and circulation of Audit Committee minutes to the Board shall ensure that all members are made aware of the change.

4 FINANCE, LEGAL AND RISK IMPLICATIONS

4.1 Financial Implications

Robust financial and governance arrangements are a prerequisite for an efficient organisation. Authorisation, approval and other limits have been revised to improve efficiency whilst also ensuring that adequate controls, systems and procedures remain in place and VFM is secured through the Company's purchasing arrangements. The tender levels proposed are consistent with those adopted by the City Council.

4.2 Legal Implications

No direct implications of the proposed changes. The awarding of contracts based upon the submission of quotes rather than by formal tender must be undertaken in a way that ensures value for money is obtained and that the EU Directive requirements of equal treatment; transparency and non-discrimination in procurement are complied with.

4.3 Risk Implications

- 4.3.1 Operating without policies and procedures in relation to tenders, contract and purchasing arrangements that are fit for purpose exposes the Company to significant risks in a number of areas e.g. financial standing, accountability and reputation. The officers responsible for obtaining quotes shall still be required to ensure VFM is secured and that the justification for this e.g. where suppliers are selected who have not submitted the lowest cost quote, is documented.
- 4.3.2 Where quotes are obtained rather than a formal tender process being undertaken this shall still require the approval of the Senior Procurement Officer. This shall ensure an independent level of scrutiny and challenge is applied, in the absence of a tender process for expenditure between £30k and £50k, before proposed suppliers are appointed.

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 5.1 Effective financial and governance arrangements are essential to enable

the Company to be able to work towards achieving its objectives.

6 EQUALITY & DIVERSITY IMPLICATIONS

- 6.1 Has the equality impact of these proposals been assessed?
 Yes (EIA attached)
 No (this report does not contain proposals which require an EIA)

7 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 7.1 Standing Orders: Tender and Contract Procedure Rules

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DATE: 6 JANUARY 2014