

ITEM NO: 4(c)

Report To:	OVERVIEW (AUDIT) PANEL
Date:	25 November 2013
Reporting Scrutiny Panel:	Technical, Economic and Environmental Services Scrutiny Panel
Subject:	REVIEW OF THE COUNCIL'S TENDERING PROCESS
Report Summary:	This Review has considered the approach towards the Council's Tendering Process and has made recommendations to support future services.
Recommendations:	That Overview (Audit) Panel note the recommendations in section 9 of the report.
Links to Community Strategy:	This review supports the Community Strategy priorities relating to 'Prosperous Tameside' but also recognises links across all Community Strategy areas.
Policy Implications:	The review itself has no specific policy implications. Should the recommendations of this report be accepted by the Tameside Council's Executive, the relevant services will need to assess the policy implications of putting individual recommendations in place.
Financial Implications: (Authorised by the Borough Treasurer)	<p>Since the review has been undertaken a significant amount of work has been undertaken in relation to improving the Council's Procurement Process.</p> <p>The Corporate Procurement team have continued to develop the Agresso 5.6 procurement module, with a view to improving the experience for the end user as well as working to develop the reporting and monitoring of procurement related spend.</p> <p>A Procure and Pay review has been undertaken to look at the end to end process. The findings, recommendations and implementation plan as a result of the review will be the subject of a report to Senior Management Team in early January.</p> <p>In addition the Corporate Procurement team have undertaken some development work in respect of 'The Chest' system. Usage of this system has increased, but further work and training is required to further embed the system into Council wide procurement processes.</p> <p>The recommendations of this report will be considered, and where appropriate implemented alongside the on-going work.</p> <p>It is important to further reduce the levels of 'off contract' spend and replace with contract spending as this can help the Council reduce costs and achieve savings.</p> <p>Increasing the level of local spending benefits the council by supporting the local business rates taxbase.</p>

**Legal Implications:
(Authorised by the Borough
Solicitor)**

The Council has a statutory duty to deliver its priorities within a balanced budget. The Council's central budget has been reduced by 30% and accordingly it has reduced its workforce by 40% to address the budget reductions. The other source of significant expenditure for the Council is the procurement of goods and services. It is therefore important that the Council has effective commissioning processes in place to efficiently and effectively procure necessary goods and services and ensure they are delivered within the Borough and provided to the highest standards.

It is important in the interests of the economy of the Borough that, where possible, the procurement processes support local spend.

It is important that officers also properly code expenditure so that the Council is best able to focus its resources to get the best outcome for the Borough.

Risk Management:

Reports of Scrutiny Panels are integral to processes which exist to hold the Executive of the authority to account.

Access to Information:

The background papers relating to this report can be inspected by contacting Paul Radcliffe by:



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1. INTRODUCTION BY THE CHAIR OF THE TECHNICAL, ECONOMIC AND ENVIRONMENTAL SERVICES SCRUTINY PANEL

- 1.1 I am pleased to present this report of a review undertaken by the Technical, Economic and Environmental Services Scrutiny Panel into the Council's Tendering process.
- 1.2 The recent downturn in the economy has had a significant impact on businesses and unemployment in the borough. Along with this the Council has also been required to make significant savings across a variety of service areas, in order to meet savings targets.
- 1.3 Procurement plays a key role in the management of Council expenditure and ensures that the Council are receiving value for money for the purchase of goods and services.
- 1.4 Growing in importance is the amount of spending that the Council undertakes with local businesses and suppliers. Improving the amount of local spending that takes place can help support the local economy and make a positive contribution towards reducing carbon emissions within the supply chain.
- 1.5 In light of requirements to make significant savings, it is important that the Council examine the eligibility for awarding contracts placed within the Council's tendering process, the monitoring work that is undertaken and the effects the process has on businesses in the borough.
- 1.6 The Panel are aware of the importance for the Council to increase the amount of local spending that takes place and the need for the Council to help support the local economy. It is imperative that the Council are purchasing the highest quality goods and services, whilst receiving the best value for money.
- 1.7 It is important that Tameside Council follow EU legislation with regards to procurement methods and processes and work collaboratively with local businesses to enhance local spending. The Panel are interested to look at the strategies in place to improve local spending and the options available to the Council going forward.
- 1.8 If a trade off between spending locally and the Council receiving value for money was to appear it is important to understand the approach taken by the Council to explore wider parameters and look at the benefits that the Council receive from spending with neighbouring authorities and within the AGMA region.
- 1.9 On behalf of the Technical, Economic and Environmental Services Scrutiny Panel, I would like to thank all those who have participated in this review.

Councillor Alan Whitehead

Chair of the Technical, Economic and Environmental Services Scrutiny Panel

2. SUMMARY

- 2.1 Tameside is home to a variety of suppliers and businesses that are able to cater for a large range of Council needs. It is important that the right processes are in place to enable local businesses to gain access to Council contracts and encourage a change in behaviour, meaning that service areas are exploring local supplier options for all future contracts.
- 2.2 It is important that the Council uses its purchasing power to support the local economy where possible. The review will look at the methods available to local companies to gain Council contracts and look at the amount of local spending that takes place compared with other authorities in Greater Manchester.

- 2.3 Looking at the efficiency of contract design and monitoring is key to ensuring the Council takes a more streamlined approach towards local procurement.

3. MEMBERSHIP OF THE PANEL – 2012/2013

Councillor A Whitehead (Chair), Councillor M Bailey (Deputy Chair)
Councillors W Bray, D Buckley, Y Cartey, J Cooper, P Dowthwaite, M Fowler, A Holland, B Holland, G Roberts, M Whitley

Mr A Moss (Citizens' Panel)

4. TERMS OF REFERENCE

Aim of the Review

- 4.1 To explore how the Council can increase the amount of work that is being contracted to local businesses and look at how value for money can be improved, with Council spending amounting to less than £60,000.

Objectives

- 4.2
1. To understand procurement procedures.
 2. To examine the Council's approach towards localised spending.
 3. To explore how the Council can regulate the amount of 'off contract' spending that takes place.
 4. To explore the work that is being undertaken to encourage spending with local businesses.
 5. To examine the ways in which the Council can improve value for money in contracts.
 6. To examine how contracts are designed.
 7. To produce workable recommendations for the Council to deliver sustainable improvements to the future approach towards the tendering process.

Value for Money/Use of Resources

- 4.3 It is important that businesses in Tameside are supported and encouraged to be involved in the Council's tendering process. It is key that the right strategies are put in place to ensure the Council receive value for money and where possible increase the amount of spending that takes place locally.

Equalities Issues

- 4.4 The Council's tendering process has an impact on all sections of Tameside's economy. The review will consider strategies that lead to an increase in the amount of work being contracted to local businesses, helping to improve the prosperity of Tameside's economy and provide jobs and security for businesses and residents.

Tameside Area Agreement Targets

- 4.5 The following targets from the Tameside Area Agreement relate to the Council's Tendering Process.

Key Quality of Life Measures	
Prosperous Tameside	<ul style="list-style-type: none"> • Worklessness • Wages • (N)EET – (Not) Education, Employment or Training
Supporting Measures	
Prosperous Tameside	<ul style="list-style-type: none"> • Enterprise / Business • Apprenticeships

5. METHODOLOGY

- 5.1 The Panel met with Suzanne McCormack, Strategic Procurement Officer, Tameside MBC to receive an overview of procurement and the Council's tendering process.
- 5.2 The Panel met with Kate O'Donnell, Manager, Economic Strategy, Skills and Enterprise, Tameside MBC to receive an overview of the work undertaken by the Council to increase local spending and promote The Chest (North West's Local Authority Procurement Portal) to local businesses.
- 5.3 The Panel met with Ben Jay, Assistant Executive Director, Finance, Tameside MBC; and Councillor Jim Fitzpatrick, First Deputy (Performance and Finance) to receive procurement information for 2011-12, looking at how spending is distributed locally and how contract spending can be improved.
- 5.4 The Panel met Ben Jay, Assistant Executive Director, Finance, Tameside MBC to receive further information relating to the Council's tendering process.

6. BACKGROUND TO THE REVIEW

- 6.1 The Council spends around £150 million per year on goods and services. With expenditure of this magnitude it is essential that proper arrangements are made at all levels to ensure effective contract design and monitoring takes place.
- 6.2 It is of ever growing importance that the Council receive value for money and change the way that service areas procure goods and services. With the purchasing power the Council has, it is important that the necessary measures are in place to support the local and regional economy and local supplier markets.
- 6.3 It is important to consider how the word 'local' is defined, concentrating on the key benefits to the local economy. By increasing local boundaries to the AGMA region can provide a greater understanding about the positive effects that spending locally has.

7. REVIEW FINDINGS

Procurement in Tameside

- 7.1 The Council is committed to providing a high quality procurement service to meet the current and future needs of the Council, residents and local businesses. Effective procurement will assist the Council in achieving its aim of receiving value for money from the way that it procures and delivers goods and services.
- 7.2 All procurement activity is subject to Procurement Standing Orders (PSO) and Financial Regulations. The Council's PSOs are a set of rules designed to promote good procurement practice, enhance public accountability and deter corruption.

- 7.3 In the Code of Practice 'Procurement' is the process of acquiring works, services and goods from external contractors, providers or suppliers. This process covers the whole cycle from identification of the Council's need or requirement through to the end of the resulting contract.
- 7.4 Following the rules is the best way to protect the Council, Elected Members and officers against allegations of incorrect and inconsistent procurement. Officers responsible for procurement must comply with PSOs at all times. A more thorough procedure is sometimes more appropriate for more specific or bespoke type of procurement.
- 7.5 PSOs must be applied in conjunction with the Council's Financial Regulations and it is ultimately the responsibility of the relevant officer of the Senior Management Team to ensure that procurement undertaken in his/her area of responsibility complies with PSOs at all times.
- 7.6 In addition to this, officers of the Senior Management Team should ensure that they have appointed one or more procurement champions as a source of expertise and information; and that appropriate procurement training is arranged for relevant officers.
- 7.7 Within the Council, the Procurement Team provides advice and support on all stages of procurement, to ensure that PSOs are complied with. The Procurement Team undertake a number of corporate contracts on behalf of the Authority and is involved in a number of collaborative contracts across the Association of Greater Manchester Authorities (AGMA) region.
- 7.8 During 2012 the Council's e-procurement system was replaced by a new Agresso Procurement Module (APM) and all future orders and purchases will be placed on the new system.

Procurement Thresholds

- 7.9 Local Government procurement is subject to the relevant legislative requirements; dependent on whether the Council is acquiring works or goods and services; and the value of the contracts. The Council have to work within procurement thresholds, which determine the required tendering process in relation to the type and value of the contract.
- 7.10 **Table 1: EU Procurement Thresholds (2012)**

Works	Goods and Services	Procedure	
Below £20,000	Below £20,000	Officers will use their professional judgement in seeking quotations to ensure value for money	Q u o t a t i o n s
Above £20,000 but below £60,000	Above £20,000 and below £60,000	A minimum of 3 written quotations are required to be obtained from suitably experienced suppliers	
Above £60,000 but below £4,348,350	Above £60,000 but below £173,934	A minimum of 3 written tenders are required to be obtained from suitably experienced suppliers	T e n d e r s
Above £4,348,350 (EU threshold)*	Above £173,934 (EU threshold)*	Follow EU Procurement Procedure	

EU thresholds stated from 1st January 2012

- 7.11 The Table above shows the EU procurement thresholds for 2012. Each section of the table provides information on the guidelines that need to be followed and the tendering process that needs to take place, dependent on the type and value of the contract.
- 7.12 Any contract below £20,000 requires officers to use their professional judgement in seeking quotations to ensure value for money. Anything above £20,000 but below £60,000 requires a minimum of three written quotations from suitably experience suppliers.
- 7.13 When goods and services are above £60,000 but below £173,934 a minimum of three written tenders are required. This also applies to works that are above £60,000 but below £4,348,350.
- 7.14 Once goods and services are above £173,934 the Council is required to follow EU procurement procedures, which means the Council has to advertise the contract in the Official Journal of the European Union (OJEU).

Decision Making

- 7.15 The basic principles relating to purchasing are to:
1. Identify the need/requirement
 2. Obtain a Key Decision, for approval to spend.
 3. Identify supplier and price
 4. Place order
 5. Receive goods and services
 6. Receive invoice and pay
- 7.16 It is important that the Council has a prime directive, which allows procurement champions across the Council to understand what the key aims are when procuring goods and services and also what the reasonable and sustainable options are if alternative purchasing methods are required.
- 7.17 Responsibility and accountability for the design and monitoring of contracts is devolved within the authority. Decisions relating to contract management are made locally, within service areas across the authority. For contracts below £60,000 responsibility for how contracts are managed is left with the responsible officer.
- 7.18 Due to the large number of low value 'off contract' spending that takes place during a given year it can be difficult to ensure that the Council is receiving value for money for 'off contract' spending. Contracts above £60,000 are overseen and checked by the Procurement Team and advice is also provided across the Council, irrespective of contract value.
- 7.19 Due to recent efficiency savings the Procurement team has been reduced to 2.5 full time equivalent members of staff. This has resulted in it becoming increasingly difficult to undertake the amount of procurement training that is required across the authority and has also had an effect on the amount of checking that can be carried out on a regular basis.
- 7.20 In order for the Council to receive value for money it is important that routine reviews of spending take place to ensure as much spending as possible takes place through an existing or new contract.

Conclusions

1. Throughout all procurement processes the Council is required to comply with Procurement Standing Orders and guidelines relating to EU procurement thresholds.
2. The management of a contract and the way in which contracts are awarded is left to the professional judgement of officers, which is overseen and authorised by an officer of the Senior Management Team for that service area.

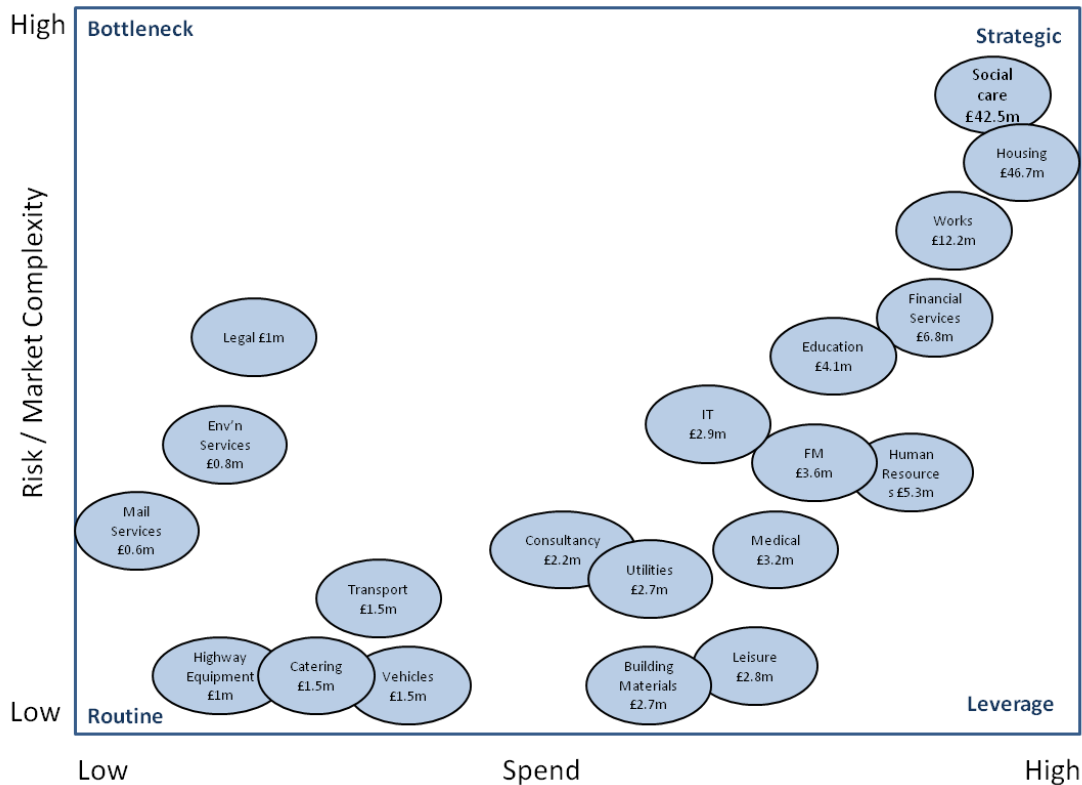
Recommendations

1. That the Council look to strengthen the way that contracts are monitored through Agresso, particularly 'off contract' spending and a selection of purchases to be routinely examined by the Council's Audit Team.

The Council's Spending Portfolio

- 7.21 Annual procurement savings are in the region of £1.7 million per annum. This is a combination of AGMA collaborative contracts and Tameside contracts.
- 7.22 Corporate savings targets are being pursued through service redesign rather than directly through procurement methods. Significant changes to procurement activity can arise from the changes that take place in service delivery.
- 7.23 The procurement approach taken by the Council is dependent on the commodity and supply market i.e single source/monopoly is more suitable for collaboration to achieve economies of scale. It is also dependent on the risks and complexity of the market.

7.24 Chart 1: Portfolio Analysis



- Strategic – strategic partnering, longer term contracts
- Bottleneck – strategic supplier, medium/long term supply

- Leverage – competitive tender, multiple source
- Routine – minimise costs, reduce transaction costs

- 7.25 The chart above represents the range of spending that is undertaken by the Council in a given year and shows the level of spend, risk and complexity assigned to each item.
- 7.26 From the chart it is clear to see that the Council's higher levels of spending and complexity are associated with areas such as social care and housing. Strategically significant spending, which is high value and high risk can mean that long term contracts are required. Due to the significance and varying nature of this type of procurement it is not necessarily an area where leverage and value for money can be directly sought.
- 7.27 Spending that takes place which is relatively low in market complexity, regardless of spend amount can mean that work is undertaken to improve value for money in contracts and increase the competitiveness of tenders.
- 7.28 Through the development of a new Agresso procurement system the Council has updated its processes, which enables the authority to monitor purchases more effectively. A key aim is to reduce the amount of 'off contract' spending that takes place.
- 7.29 Currently, around 45% of spending is 'off contract' and this can result in the Council not receiving value for money and benefitting from the economies of scale that are readily available through existing contracts. A large majority of the 'off contract' spending that takes place can be high in quantity and relatively low in value.

Conclusions

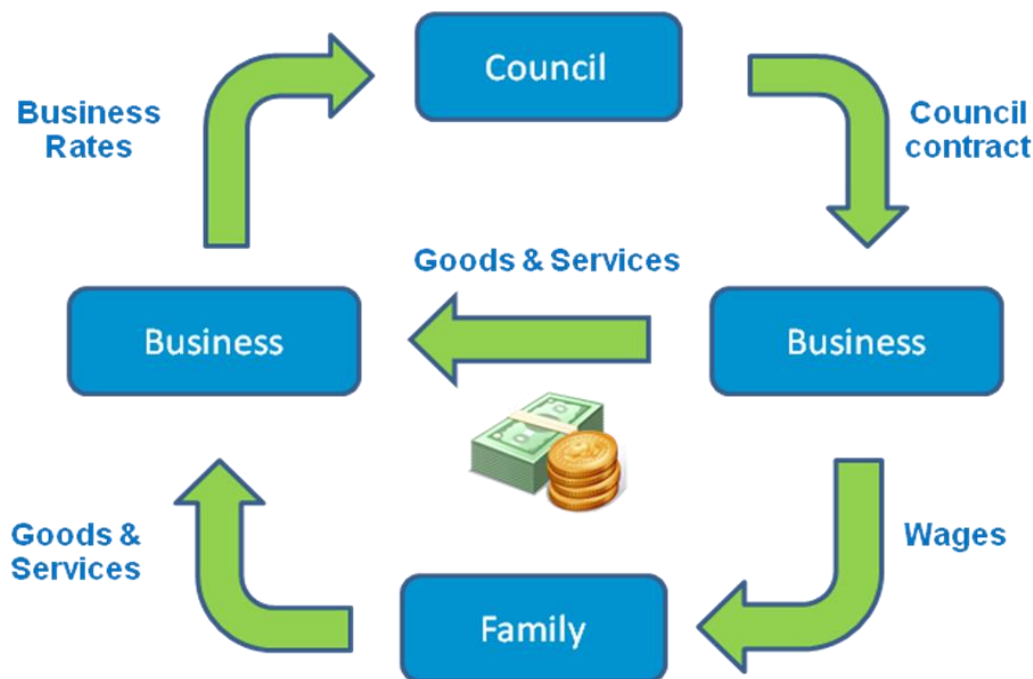
3. The potential to analyse and monitor spending has been improved following the introduction of the new Agresso procurement system.
4. Around 45% of spending is 'off contract', which can prevent the Council from receiving the best value for money.

Tameside's Local Supply Chain

- 7.30 Spending locally can benefit Tameside's economy by improving local wages, increasing the amount of business rates received and increase the amount of money spent on goods and services in the borough.
- 7.31 It can sometimes be difficult to define what local means. Some national suppliers may have a local office and alternatively some local suppliers may have a national billing address. The key focus must be on providing jobs for local people and spending money in the local economy.
- 7.32 The Council currently monitor local spending based on the billing address of the organisation that is providing the goods or services.
- 7.33 It is possible to word contracts more effectively, to better support local businesses. Contract criteria cannot directly include the word 'local', however using words such as 'socially sustainable works' could encourage local spending.
- 7.34 Work is being carried out by the Council's Economic Development Team and Tameside Business Family to encourage local businesses to create contracts and ensure the Council increases the amount of local spending that takes place.

- 7.35 Where possible, all tendering opportunities the Council have are advertised through the North West local authority procurement portal, known as The Chest. The Chest is an online procurement portal that is available to North West local authorities; currently being used by all AGMA authorities. Local businesses can register online, which allows them to specify the type of work they can carry out and potentially bid for. The website will automatically match contracts to relevant businesses and the details will be emailed to them. This means that local business can obtain contracts from a wide variety of authorities in the North West.
- 7.36 The Council will seek ways to support the local economy and local supplier markets in Tameside. A database has also been developed, which will provide visibility of Tameside suppliers and enable them to be targeted when opportunities arise in their business category.
- 7.37 Work is being carried out by the Council to increase the number of local businesses that are applying for contracts. The Chest allows the Council to advertise contracts online, which enables local businesses to receive all the relevant information and potentially bid for contracts.
- 7.38 In Tameside there are currently around 500 local businesses registered on The Chest and work is being carried out to build awareness through Tameside Business Family and local Meet the Buyer events.
- 7.39 The Council's Economic Development Team is working with procurement champions across a variety of service areas, helping to build an understanding about the number of local companies that are available to supply the goods or carry out the work required. The aim is to help improve the amount of contract spending that takes place and generate the opportunity to support Tameside's economy and improve value for money.
- 7.40 It is important that the number of contracts being advertised through The Chest is increased and it is encouraged to be used broadly throughout the Council, at the first available opportunity.
- 7.41 Over the past 12 months the council has awarded numerous contracts through The Chest ranging from Youth Provision to Legal Services. The evidence that has been gathered to date demonstrates that the process does work and allows services to receive the work they require from local businesses.
- 7.42 Work is being undertaken with service areas to generate awareness of when future contracts will be made available. If time is available before a contract needs to be advertised, local businesses can be informed about potential contracts and encouraged to bid for work.
- 7.43 Currently around 25% of the Council's spending is with local companies and this is an area that can be considerably improved. Work continues to build awareness of The Chest and highlight its benefits to local businesses.
- 7.44 The Chest differs from previous initiatives because it is free for businesses to register, it is user friendly and the website automatically matches contract specifications to local suppliers.
- 7.45 The Council are working towards increasing the amount of contracts that are advertised on The Chest. The 'quick quote' facility is aimed at directing purchasing towards local suppliers.

7.46 **Chart 2: What the Council are trying to achieve**



7.47 The chart above demonstrates the benefits that will be made to the local economy if the Council improves the amount of procurement that takes place locally.

7.48 The chart represents the circular flow of money within the economy. By spending money with local businesses, this can directly affect employment in the borough and the wages residents receive. This in turn will encourage families to spend money within the economy and help the Council receive higher levels of business rates. In general the process helps to support businesses, families and the Council.

Conclusions

5. Finding ways to increase the amount of money that is spent locally means that the Council can make a positive contribution towards improving economic prosperity in the borough.
6. The way in which the term 'local' is defined plays an important role in how the Council determine the true effects that spending can have on the Tameside's economy.
7. Building internal awareness of the goods and services that local suppliers can provide plays a key role in increasing the number Council contracts that are advertised on The Chest.
8. There is room for improvement with regards to the amount of spending that the Council currently undertakes with local companies.

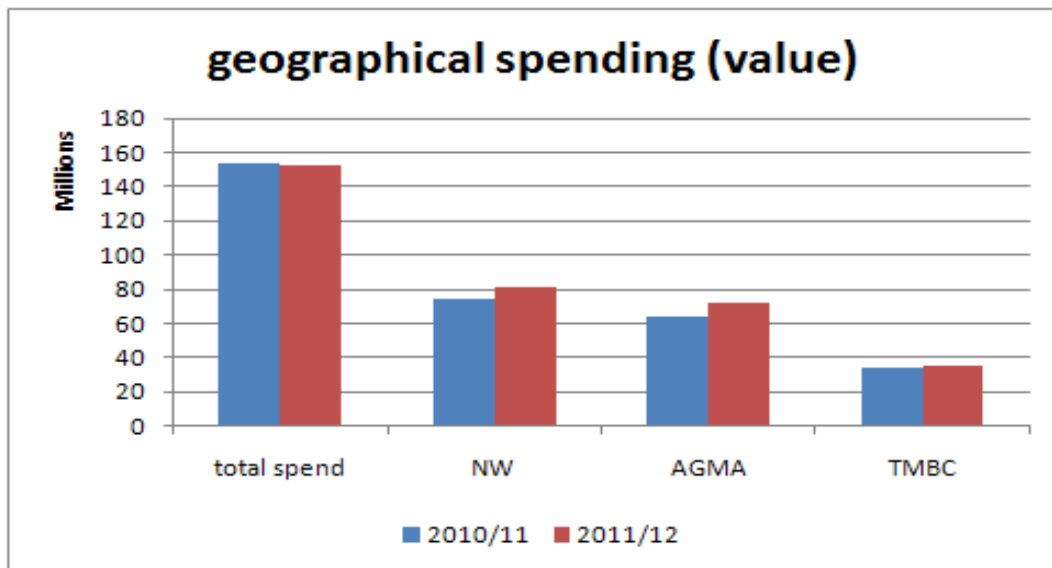
Recommendations

2. If goods and services cannot be procured in Tameside the Council ensures that options are explored within the Greater Manchester area, before national Suppliers are used.
3. That the Council promotes registration on the Chest by targeting the suppliers that are already used by the Council.
4. That the Council looks at the possibility of promoting The Chest on business rate letters and invoices, targeting all relevant businesses in Tameside.
5. That the Council look at the potential benefits of linking The Chest with the new Agresso procurement system.

How Spending is Distributed

7.49 The Council's annual spending figure is around £150 million per year, which is made up of thousands of transactions.

7.50 Chart 3: Council's Spending by Geographical Area



7.51 The Chart above shows the Council's spending figures for 2010/11 and 2011/12. The data shows the amount that was spent within Tameside, within the AGMA region and within the North West.

7.52 Although spending had marginally reduced between the two years, the amount of spending that took place locally had risen. The Council's spending in the North West was up 10%, spending in Greater Manchester was up 12% and spending in Tameside was up 2%.

7.53 Tameside can benefit from the network of councils that are working together in the North West. When contracts are being let there is an opportunity for a number of councils to work collectively. This allows Tameside to benefit from the increased purchasing power that is generated by a larger group being formed. An example of this is the AGMA contract for grit, with AGMA authorities working together to secure the best possible price.

7.54 The Council's local spending is determined by the post code (billing address) of the company that is contracted to provide goods or services. While this may not show a true reflection of the amount of money that is actually being spent locally, other monitoring alternatives would not be cost beneficial.

- 7.55 It is important that spending decisions are made locally, with the needs of the service being taken into account. Within the Council it can be difficult to align spending priorities due to large variety of requirements. Spending priorities have also changed over recent years, following further cuts and a reduced workforce.
- 7.56 It is important that spending options are constantly reviewed. Services may use larger AGMA contracts, other existing contracts or open competition if required. It is important that decisions are practical, well informed and receive periodic review, allowing information to be fed back into the organisation.
- 7.57 The Council does have the opportunity to shape contracts, enabling the local economy to benefit. While it is inappropriate to award a contract on anything other than the work that is being tendered, it is possible to contract for 'socially sustainable works'. This allows a contract to be awarded on whether a company employs local people or offers apprenticeships.

Conclusions

9. Existing contracts that exist with other AGMA authorities highlight the benefits that can be gained from collective purchasing.

Recommendations

6. That the Council look to introduce social value clauses and apprenticeship requirements into contract design and criteria, where possible.

Spending Analysis

- 7.58 The Council's total spend for 2011/12 was £151.9 million, of which £35.3 million (23%) was spent locally, based on postcode billing information. The local spending figures exclude the amount of spending that takes place with Carillion, due to their billing address being in Leeds.
- 7.59 The total amount that the Council spent with Carillion during 2011/12 was £27.6 million; and £9.5 million was spent on direct services. If these amounts were to be included, local spending would increase to £72.4 million, of a total spend of £161.4 million, equating to 45%.
- 7.60 The local picture can be further improved when looking at the amount the Council spends with suppliers from neighbouring authorities. During 2011/12 the Council spent £4 million with Oldham suppliers, £4.6 million with Rochdale suppliers and £4.3 million with Stockport suppliers.
- 7.61 The way that Tameside Council's spending is set up can be different to other authorities, with some functions remaining in-house. Some council's may be able to record some types of spending as local, where Tameside cannot.
- 7.62 An example of this is Stockport Council's spending with Stockport Homes and SK Solutions. Stockport's local spend stands at around 56%. This includes £26 million (22%) with SK Solutions and £23 million (19%) with Stockport Homes.
- 7.63 Research has been undertaken to calculate the multiplier effect that is created by spending locally. The New Economics Foundation has provided information which suggests that for every £1 spent locally is worth around £1.76 to the local economy.

7.64 On this basis, a potential local spend of around £72.4 million in Tameside equates to a potential benefit of around £127 million to the local economy.

Contract Information

7.65 The Council publishes a contracts register on the website, which provides a list of current contracts that are in place and the date they are due to end. Everyone has access to this information, making it easier for local suppliers to be considered when a contract is renewed.

7.66 The Council currently use around 12,000 suppliers, of which 5,650 (47%) are within the borough. From the 5,650 suppliers around 3,100 receive payments of up to £60,000. Work is also being undertaken to ensure new contracts are routinely checked, with regards to evidence that quotes have been sought from local suppliers.

7.67 Work continues with the Economic Development Team to improve local spending and promote The Chest to local businesses. There are currently 544 suppliers on The Chest, of which 61 are used by the Council. During 2011/12 £3.7 million was spent with businesses through The Chest.

7.68 It is important that the Council continues to promote The Chest to local businesses. This can be done by targeting suppliers that are already used by the Council. However, while it is important to promote The Chest, consideration should be given towards ensuring the Council does not make processes more bureaucratic, by potentially increasing the number obstacles local businesses have to face in order to bid for contracts.

7.69 Table 2: Make-up of Contracts

	£0	£0-£20k	£20k-£60k	£60k+
Total Value	0	£12.8m	£9.8m	£129m
%	0%	8%	6%	85%
Total Number	4,900	6,500	289	328
%	41%	54%	2%	3%

7.70 The Table above shows the number of contracts that are within specific values and the proportion of total expenditure that each value equates to.

7.71 The table shows that 6,500 contracts have a value of between £0 and £20,000, which accounts for £12.8 million (8%) of total spend.

7.72 The majority of the Council's expenditure can be found in 328 contracts, which is just 3% of contracts and are all above the value of £60,000.

Conclusions

10. Tameside Council spend a significant amount of money with neighbouring authorities and within the Greater Manchester Area.
11. The amount of money spent locally, based on postcode information can be misleading.
12. It can be difficult to compare local spending with neighbouring authorities due to the different spending arrangements that are in place for key functions.
13. The Council has only used 61 suppliers that were registered with The Chest, which is an incredibly small amount compared to the 5,650 local suppliers used by the Council.

Recommendations

7. That the Council reviews the amount spent in neighbouring authorities, to identify opportunities to bring this within Tameside.
8. That the council improve the monitoring that takes place for contracts below £20,000, with the view to getting low level 'off contract' spending onto a contract and then a bigger contract, where possible.

Going Forward

7.73 Some of the issues that have been identified are:

- Lack of local companies registered with The Chest
- Need for a Forward Plan for procurement
- Contracts for inclusion
- Need for supply chain development

7.74 It is important that the Council's procurement team continue to provide support and advice. A workshop was delivered in April 2012 to train procurement champions in the use of the Quick Quote system and to identify potential barriers to the wider adoption of the system.

7.75 A 'Meet the Buyer' event has also taken place on 21 November 2012 at Dukinfield Town Hall. The event was attended by Carillion / Tameside Investment Partnership (TIP) as well as a range of local companies.

7.76 This follows similar events that took place in 2008 and 2009, which resulted in local businesses being awarded contracts through the building schools for the future programme, generating around £16 million in local expenditure.

7.77 The key aims are to encourage local business to register with The Chest and also ensure staff across the Council are advertising contracts on The Chest at the first opportunity.

Conclusions

14. Increasing the amount of local quotes that are obtain can have a positive impact on the amount of local procurement that takes place and the value for money received in contracts.

Recommendations

9. That the Council's Procurement Team work with the Organisational Development Unit to provide procurement champions across the Council with training and guidance relating to procurement processes and management of contracts.
10. That the Council ensures that procurement processes are clear and local quotes are sought for all contracts, where possible.

8. CONCLUSIONS

- 8.1 Throughout all procurement processes the Council is required to comply with Procurement Standing Orders and guidelines relating to EU procurement thresholds.
- 8.2 The management of a contract and the way in which contracts are awarded is left to the professional judgement of officers, which is overseen and authorised by an officer of the Senior Management Team for that service area.
- 8.3 The potential to analyse and monitor spending has been improved following the introduction of the new Agresso procurement system.
- 8.4 Around 45% of spending is 'off contract', which can prevent the Council from receiving the best value for money.
- 8.5 Finding ways to increase the amount of money that is spent locally means that the Council can make a positive contribution towards improving economic prosperity in the borough.
- 8.6 The way in which the term 'local' is defined plays an important role in how the Council determine the true effects that spending can have on the Tameside's economy.
- 8.7 Building internal awareness of the goods and services that local suppliers can provide plays a key role in increasing the number Council contracts that are advertised on The Chest.
- 8.8 There is room for improvement with regards to the amount of spending that the Council currently undertakes with local companies.
- 8.9 Existing contracts that exist with other AGMA authorities highlight the benefits that can be gained from collective purchasing.
- 8.10 Tameside Council spend a significant amount of money with neighbouring authorities and within the Greater Manchester Area.
- 8.11 The amount of money spent locally, based on postcode information can be misleading.
- 8.12 It can be difficult to compare local spending with neighbouring authorities due to the different spending arrangements that are in place for key functions.
- 8.13 The Council has only used 61 suppliers that were registered with The Chest, which is an incredibly small amount compared to the 5,650 local suppliers used by the Council.

9. RECOMMENDATIONS

- 9.1 That the Council look to strengthen the way that contracts are monitored through Agresso, particularly 'off contract' spending and a selection of purchases to be routinely examined by the Council's Audit Team.

- 9.2 If goods and services cannot be procured in Tameside the Council ensures that options are explored within the Greater Manchester area, before national Suppliers are used.
- 9.3 That the Council promotes registration on the Chest by targeting the suppliers that are already used by the Council.
- 9.4 That the Council looks at the possibility of promoting The Chest on business rate letters and invoices, targeting all relevant businesses in Tameside.
- 9.5 That the Council look at the potential benefits of linking The Chest with the new Agresso procurement system.
- 9.6 That the Council look to introduce social value clauses and apprenticeship requirements into contract design and criteria, where possible.
- 9.7 That the Council reviews the amount spent in neighbouring authorities, to identify opportunities to bring this within Tameside.
- 9.8 That the Council improve the monitoring that takes place for contracts below £20,000, with the view to getting low level 'off contract' spending onto a contract and then a bigger contract, where possible.
- 9.9 That the Council's Procurement Team work with the Organisational Development Unit to provide procurement champions across the Council with training and guidance relating to procurement processes and management of contracts.
- 9.10 That the Council ensures that procurement processes are clear and local quotes are sought for all contracts, where possible.

Post Scrutiny - Executive Response

In Respect of: Scrutiny Review of the Council's Tendering Process

Date:

Cabinet Deputy: Councillor Jim Fitzpatrick, First Deputy (Performance and Finance)

Coordinating Officer: Ben Jay, Assistant Executive Director (Finance)

Partnership: Prosperous Delivery Board

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
1. That the Council look to strengthen the way that contracts are monitored, particularly 'off contract' spending, with a selection of purchases being routinely examined by the Council's Audit Team.	Accepted	The change in Council budgets in recent years means we must look at all opportunities to reduce costs including contracting and procurement activity. This will include discussion with service management teams and some spot checking of purchases made 'off-contract'.	Ben Jay – Assistant Executive Director, Finance	Ongoing

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
2. If goods and services cannot be procured in Tameside the Council ensures that options are explored within the Greater Manchester area, before national Suppliers are used.	Accepted	The corporate procurement function is engaged both with services and with other GM partners to ensure that local and regional suppliers are used where possible, within the constraints of contract regulations and standing orders. Work to increase the numbers of suppliers will continue and we will look to grow this further over time, ensuring where possible and financially viable local and regional suppliers are used.	Ben Jay – Assistant Executive Director, Finance	Ongoing
3. That the Council promotes registration on the Chest by targeting the suppliers that are already used by the Council.	Accepted	This work is ongoing. We hope to increase the number of registered suppliers significantly in the next months. The Council is continually promoting registration on the Chest with suppliers and the increases in registered numbers should develop on an on-going basis.	Ben Jay – Assistant Executive Director, Finance	Ongoing
4. That the Council looks at the possibility of promoting The Chest on business rate letters and invoices, encompassing all businesses in Tameside.	Accepted	This is one way to promote the chest – other routes will also be explored as this option may have limitations. There will be a focus on constantly helping and supporting local suppliers.	Ben Jay – Assistant Executive Director, Finance	Ongoing

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
5. That the Council look at the potential benefits of linking The Chest with the new Agresso procurement system.	Accepted	Seeking to connect the Chest to Agresso would have benefits, however this may be a lesser priority that some of the other recommendations. The aim is to achieve this whilst also looking more broadly at the Procurement to Payment system on a recurring basis.	Ben Jay – Assistant Executive Director, Finance	Ongoing
6. That the Council look to introduce social value clauses and apprenticeship requirements into contract design and criteria, where possible.	Accepted	This work is on-going and will continue to develop further.	Ben Jay – Assistant Executive Director, Finance	Ongoing
7. That the Council reviews the amount spent in neighbouring authorities, to identify opportunities to bring this within Tameside.	Accepted	All supplier spending is the subject of enhanced targeted financial reporting to services. Due to continued fluctuations in the council's current spending capacity and unstable financial restrictions this will continue as a target to achieve.	Ben Jay – Assistant Executive Director, Finance	Ongoing
8. That the council improve the monitoring that takes place for contracts below £20,000, with the view to getting low level 'off contract' spending onto a contract and then a bigger contract, where possible.	Accepted	All supplier spending is the subject of enhanced targeted financial reporting to services. However, the initial priority will be for spending in the range £20k-£60k as this will yield greater benefit. Although not all spending requires annual updates, instances will occur where off contract spending develops into larger contracts.	Ben Jay – Assistant Executive Director, Finance	Ongoing

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
9. That the Council's Procurement Team work with the Organisational Development Unit to provide procurement champions across the Council with training and guidance relating to procurement processes and management of contracts.	Accepted	This is anticipated to form part of the recommendations of the 'whole system' review of procurement –to-payment processes and is expected to go wider than just the procurement champions. This work is being continually developed and is coming into fruition and remains an objective for Procurement and Organisational Development Teams.	Ben Jay – Assistant Executive Director, Finance	Due to be finalised summer 2013 and operational autumn 2013.
10. That the Council ensures that procurement processes are clear and local quotes are sought for all contracts, where possible.	Accepted	This is anticipated to form part of the recommendations of the 'whole system' review of procurement –to-payment processes.	Ben Jay – Assistant Executive Director, Finance	Due to be finalised summer 2013 and operational autumn 2013.