

**COUNCIL MEETING – 27TH FEBRUARY 2025****AGENDA ITEM NO. 6 (5)****REVISED PROCUREMENT CONTRACT STANDING ORDERS (CSOs) 2025**

A report from the meeting of the Corporate Governance, Audit and Standards Committee held on 29th January 2025.

**SUMMARY**

Procurement legislation in the UK is in the process of being significantly reformed, most notably with the introduction of the Procurement Act 2023 (due to come into force on 24<sup>th</sup> February 2025). As a result, the Council is required to review and update its Contract Standing Orders (CSOs) within its constitution.

Although driven primarily by legislative change, the revision of the Council's CSOs has been taken as the opportunity to more closely align them with the Council's Procurement Strategy. The revised Procurement Strategy 2025 – 2028 was approved by Cabinet on 26th Nov 2024.

The revision of the Council's CSOs also includes a more pragmatic view on the procurement methodology used for contracts valued under £100,000, where the burden on both the Council and those businesses tendering for contracts can now be more appropriate to the risk and the value rather than being prescribed on the basis of value alone.

At its meeting on 29th January, the Corporate Governance, Audit and Standards Committee considered and endorsed the approval of the updated CSOs, subject to additional clarification in the document around the use of procurement cards.

**RECOMMENDATION:**

That the Council approve the updated Contract Standing Orders, as attached at Appendix 1, for adoption as part of the Council's Constitution.

**1 BACKGROUND & HISTORY**

- 1.1 Procurement is the process of acquiring goods, works and services. The process spans the whole life cycle, from identification of needs to the monitoring of performance, through to the end of a contract or the end of the useful life of an asset.
- 1.2 The importance of effective procurement has never been greater for local government. The demand for public services is increasing, while resources

have reduced significantly in real terms. The pressure to find greater efficiencies and improve productivity is driving the Council to look for different ways to deliver better public services for its community.

- 1.3 Procurement legislation in the UK is in the process of being significantly reformed, most notably with the introduction of the Procurement Act 2023 (due to come into force on 24th February 2025). As a result, the Council is required to review and update its CSOs within its constitution, in addition to its Procurement Strategy.
- 1.4 The Council is legally required to have in place local rules, referred to as CSOs. This set of local rules describes how the Council meets its legislative obligations both under the Procurement Act and associated Regulations, but also the duty to deliver 'best value' under the Local Government Act 1999.
- 1.5 Although driven primarily by legislative change, the revision of the Council's CSOs has been taken as the opportunity to more closely align them with the Council's Procurement Strategy. The revised Procurement Strategy 2025 – 2028 was approved by Cabinet on 26th Nov 2024. This Strategy introduced aspirations to increase social value considerations during the procurement process, and are now embedded within the CSOs themselves.
- 1.6 The CSOs are closely linked with other parts of the Council's constitution, most notable the Financial Procedure Rules and Scheme of Delegation. It is within these associated rules that budgetary matters and governance are controlled.
- 1.7 This paper presents the Council's revised Contract Standing Orders (CSOs), attached as Appendix 1 to the report.

## **2.0 NEW ARRANGEMENTS**

- 2.1 The revised CSOs have been written with the assistance of the specialist Legal Advisers at TLT PLP and the Council's current technical advisors at Portsmouth City Council, with whom the Council has an ongoing Service Level Agreement (SLA).
- 2.2 Given that the majority of the revisions made to Rushmoor's arrangements are in answer to new legislative requirements, these are not the focus of this report. What will be highlighted are those changes that are made specifically in the processes for procurement activity below the current statutory threshold of £214,904 (for supplies, services and design contracts). These lower value arrangements are a matter of local decision for the Council.
- 2.3 In defining these new local thresholds, the Council reviewed the arrangements of those in neighbouring authorities and consulted key stakeholders within the organisation throughout the process.
- 2.4 **Exemption Approvals.** A strong oversight of any deviation from the rules is being retained from the previous CSOs in section 6.1 of the revised CSOs, these are known as exemptions. During this process a justification must be made and the exemption request must be formally approved by both the Legal and Finance teams at the Council. In the new CSOs, deputies for this

approval process have been introduced, as delays in process due to single authorised officers has been routinely noted.

2.5 **Local Thresholds.** The thresholds for procurement activity below statutory threshold and the procurement procedures to be followed are detailed in the following table, located within the CSOs as Table 1, section 2.8.4:

Estimated Contract Value	Procedure / Notes
<b>MINOR VALUE</b> Up to £10,000 (including VAT)	<b>Contracting Officers</b> must follow procedure for <b>Minor Value</b> transactions. (e.g. small or consumable items). <b><u>At least 1 quote or use a Framework.</u></b>
<b>LOW VALUE</b> £10,001 to £30,000 (including VAT)	<b>Contracting Officers</b> must follow the procedure for <b>Low Value</b> transactions. <b><u>At least 3 quotes or use a framework.</u></b>
<b>MEDIUM VALUE</b> £30,001 up to £99,999 (including VAT)	<b>Contracting Officers</b> must follow the <b>Medium Value</b> transactions. <b><u>At least 3 Quotes, or advertised tender, or use a framework.</u></b> In line with these rules ( <u>subject to any exception being agreed</u> ). <b>Seek advice from the Procurement Team / complete a Gateway Assessment</b> to determine the most appropriate procurement route.
<b>HIGH VALUE</b> Exceeding £100,000 (including VAT) for goods, services, and works. (This is also the key decision threshold)	<b>Contracting Officers</b> must follow the tender procedure for <b>High Value</b> transactions and <b>seek advice from the Procurement Team</b> . Appropriate frameworks may continue to be used. For <b><u>Regulated Below Threshold contracts</u></b> – an <b><u>advertised tender</u></b> in line with these rules (subject to any exemption being agreed in line with these Rules). For <b><u>Concession Contracts and Utilities Contract</u></b> that are below the relevant <b><u>Covered Procurement</u></b> threshold – <b><u>a quotes or competitive selection process</u></b> in line with these rules (subject to any exemption being agreed in line with these Rules). For <b><u>Public Contracts</u></b> – a procurement procedure in line with the <b><i>Relevant Procurement Legislation</i></b> .

2.6 The previous CSOs were not protected from the effects of inflation and other price increases, and therefore the Council increasingly found itself seeking exemptions from its own rules in order to apply a pragmatic way forwards with lower value / lower risk procurement activity.

2.7 Although not directly comparable due to changes in categorisation, the previous CSOs required Officers to apply full tender rules to all procurement activity over £50,000, with no accounting for any factors other than cost. This was found to be burdensome to all parties and introduced unnecessarily long procurement timescales.

2.8 The revised CSOs introduce a new pragmatic approach towards contracts up to the Council's key decision threshold of £100,000 (including VAT), whereby the completion of a 'Gateway Assessment' and consultation with the Procurement Team will allow for the determination of the most suitable procurement procedure to be applied. This balances the legal requirements and risk mitigation with the burden on both the Officers of the Council and

those businesses wishing to engage with the Council in order to provide goods and services.

2.9 **Social Value.** The revised CSOs incorporate the requirements of the new Procurement Strategy under section 1.10.

2.10 The inclusion of Social Value as a consideration will be the default position for all procurement activity unless it can be clearly demonstrated as being detrimental. Where Social Value is included within a procurement a weighting of at least 10% of the overall score will be applied.

2.11 The delivery of social value as a minimum weighting of 10% will be monitored for all new procurement activity over the value of £5,000 that takes place from 1<sup>st</sup> April 2025, reported in the quarterly performance Monitoring report to Cabinet. In addition, the percentage of new contracts over £5,000 provided to organisations based within the Southeast Region and to SMEs or VCSEs will also be recorded and reported.

2.12 **Working with Local Suppliers.** As part of the new Strategy, the Procurement Team has committed to working with local businesses to give general advice and guidance outside of any specific procurement activity in order to assist interested parties in what a 'good' bid might look like. The procurement team will also ensure that documents such as specifications are written in a manner that make them more accessible to local SMEs etc.

2.13 The Procurement Team has also committed to include local business engagement in its annual work plans/Service Plan, working with the economy and growth team to encourage local bids and give general guidance and increase uptake of the opportunity to register on the Council's digital procurement portal for notifications.

### **3.0 IMPLEMENTATION AND EMBEDDING NEW RULES**

3.1 The revised CSOs, once approved, would come into force on 28<sup>th</sup> February 2025, following Full Council on 27<sup>th</sup> February 2025.

3.2 The revised CSOs incorporate additional practical guidance for Officers, including on estimated timescales to deliver procurement projects

3.3 Advice and guidance for all procurement activity will continue to be made available to Officers of the Council via the current arrangements; the Council's Procurement Team and Portsmouth City Council.

3.4 In order to raise awareness and effectively implement and embed the requirements of the new rules, a suite of guidance documents including aide memoirs and process maps are being prepared by the Procurement Team. These will be made available prior to 27<sup>th</sup> February 2024 via the Council's SharePoint site.

- 3.5 In addition to this written information and guidance, Officers will be provided appropriate procurement training as required for their role. The Procurement Team is preparing this training material and will identify those Officers requiring this enhanced awareness training. Basic procurement information will also be provided via the Council's induction training programme.

CHAIRMAN OF THE CORPORATE GOVERNANCE,  
AUDIT AND STANDARDS COMMITTEE