

ABINGDON-ON-THAMES TOWN COUNCIL



PROCUREMENT POLICY

Version 1: September 2020

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Contents

1	Purpose of Policy	3
2	Scope of Policy	3
3	Aims and objectives	4
4	Responsibilities	4
5	Procurement Principles	5
6	Collaborative Procurement	7
7	Day to day expenditure	7
8	Capital Items.....	8
	Making capital purchase decisions.....	8
9	Maintenance Contracts	9
10	Utilities contracts	10
11	Leasing contracts	10
12	Large value contracts and Specialist Services.....	11
13	Funding options	13
	APPENDIX A.....	14
	APPENDIX B.....	16
	APPENDIX C.....	17

1 Purpose of Policy

The purpose of this policy is to promote best value procurement of goods and services throughout all areas of Abingdon-on-Thames Town Council, while providing staff with an overview of the procurement process and some of the legal requirements involved.

The policy should be read in conjunction with the latest versions of the Council's Standing Orders (SOs) and Standing Financial Instructions (SFIs).

2 Scope of Policy

The policy provides guidance for all types of expenditure undertaken by staff to carry out the Council's services. The types of expenditure can be categorized as:

- (i) Day to day expenditure – limited in value, covered by existing in-year budgets for the relevant committee
- (ii) Capital items – one off / replacements but for which existing committee budgets are available
- (iii) Capital items – usually larger value, exceeding the committee's own budgets and requiring use of pooled (central) funds
- (iv) Maintenance contracts – often paid annually but cover a longer period, say 3 years
- (v) Utilities contracts - entered into for a number of years, usually at a fixed rate
- (vi) Leasing agreements – entered into for a number of years, either with the asset being owned at the end of the period or given back / upgraded to a new lease
- (vii) Specialist services – usually large value projects e.g. building services, architects, surveyors

Each type of expenditure requires a different process to be followed and staff must ensure they have identified the type of expenditure correctly and follow the appropriate steps. The steps for each type of expenditure are detailed later in this policy (sections 7 to 12).

3 Aims and objectives

The Council's key objectives should be considered when procuring any items. These are:

1. To respond effectively and speedily to the climate emergency
2. To develop a resilient, sustainable town which will provide a home for residents now and in the future
3. To manage the Council's assets efficiently and effectively to meet the needs of the community now and in the future
4. To work with community partners to support those who are vulnerable and in need and to create opportunities to increase social inclusivity

The Council is fully committed to a sustainable future. When making procurement decisions, the environmental implications should be considered, particularly the ability to reduce the carbon footprint of the Council.

The aim of all local government bodies is to ensure value for money. Staff must be aware that this does not simply mean the "cheapest option" should be selected: other factors to be considered include life cycle of the product and on-going maintenance costs.

4 Responsibilities

Procurement decisions should only be made by staff who are authorized to do so. This is set out in individual job descriptions. If a member of staff is requested by their line manager to procure goods or services as a one-off, the responsibility lies with the line manager to ensure the purchase is appropriate.

Staff making procurement decisions are responsible for:

1. Ensuring the decision they have made stands up to scrutiny by the RFO, the auditors, the Council, and the public
2. Ensuring that the costs are coded to the appropriate budget line
3. Completing all required paperwork – purchase orders, contracts, Decisions forms
4. Passing all paperwork to the RFO
5. Ensuring that any renegotiation windows are used

The RFO is responsible for:

1. Retaining the purchase order together with the subsequent invoice for the legal time period (7 years)
2. Reviewing Decision Forms and ensuring these are completed fully by individual staff, requesting further information from them if required
3. Retaining the Decision Forms, contracts, and lease agreements
4. Maintaining a database of all contracts and lease agreements
5. Ensuring that all on-going costs are included in annual budget setting
6. Regularly reporting all costs to the Council as part of the Management accounts and payment listings
7. Ensuring that procurement decisions made by the Council are progressed within one calendar month of the date the decision was made, unless the resolution suggests otherwise.

The Council is responsible for:

1. The scrutinizing and monitoring of costs through the approval of payment listings and management accounts
2. Playing a part in the decision-making process for large value contracts
3. Ensuring that annual budgets are sufficient for business needs

5 Procurement Principles

There are twelve principles which are set out by the Chartered Institute of Procurement & Supply (CIPS) which should act as a useful starting point for any member of staff involved in procurement:

- i. **Accountability:** effective mechanisms must be in place to enable the RFO to discharge her personal responsibility on issues of risk and expenditure. This means that all staff making procurement decisions share the responsibility and should be aware that any decisions they make should be able to be explained and justified.

- ii. **Competitive Supply:** procurement should be carried out by competition unless there are convincing reasons for the contrary.
- iii. **Consistency:** supplier should, all other things being equal, be able to expect the same general procurement policy across the public sector.
- iv. **Effectiveness:** the Council should meet the commercial, regulatory, and socioeconomic goals of government in a balanced manner appropriate to the procurement requirement.
- v. **Efficiency:** procurement processes should be carried out as cost effectively as possible.
- vi. **Fair-dealing:** suppliers should be treated fairly and without unfair discrimination, including protection of commercial confidentiality where required. The Council should not impose unnecessary burdens or constraints on suppliers or potential suppliers.
- vii. **Integration:** procurement decisions should pay due regard to the Council's other policies (such as environmental policies).
- viii. **Integrity:** there should be no corruption or collusion with suppliers or others (gifts or hospitality offered by potential or existing suppliers should be declined or if unavoidable should be recorded by the RFO).
- ix. **Informed decision-making:** all necessary information should be obtained and considered fully before making any procurement choices (and records retained)
- x. **Legality:** the Council must conform to UK contract law and other legal requirements. The most up to date town council specific regulations are s.135 of the Local Government Act 1972, and the Public Contract Regulations 2015.
- xi. **Responsiveness:** the Council should endeavour to meet the aspirations, expectations and needs of the community served by the procurement.
- xii. **Transparency:** the Council should ensure that there is openness and clarity on procurement policy and its delivery.

6 Collaborative Procurement

Staff should consider whether there would be any benefits in procuring items across the Council rather than in service-specific areas. For example, discounts could be available for larger quantities of say, stationery items, which although minimal with each individual order would build up over time as a cost saving for the Council. Before placing an order, staff should liaise with colleagues to see if there are any opportunities for cross-department orders. To benefit from such arrangements staff should ensure that any purchasing needs are identified in sufficient time.

7 Day to day expenditure

The budgets for the Council are approved in January each year. These are agreed at committee level and are split into distinct expenditure areas (service area “cost centres” and expenditure area “account code”). Each committee budget is set based on the service area needs estimated for the year and it is expected that the budgets are sufficient for the day to day purchases required. When placing such orders staff must:

1. **Estimate the value of expenditure.**
2. **Identify the appropriate budget line and satisfy themselves that there is sufficient budget remaining to honour any order being placed¹.** This will involve having an awareness of other items yet to be paid for out of the same budget line. If there is some uncertainty, this should be discussed with the Head of Service and/or RFO
3. **Obtain an appropriate number of cost options from alternative suppliers.** Prices should be sought from local suppliers and online consortium groups such as ESPO and YPO. It is suggested that three alternatives should be sought.
4. **A decision should be made** following the procurement principles and aims and objectives of the Council.
5. **A Purchase Order must be raised**, and the pink copy passed to the Finance Team. The purchase order number should be passed onto the supplier.

¹ Accountability of staff member for decisions made
Version 1: September 2020

6. **Suppliers must be requested to email the invoice** directly to finance@abingdon.gov.uk to ensure the invoice is logged and paid on time.
7. If there are price reductions available by paying by credit card, then the RFO should be asked to make such payments.

8 Capital Items

Capital items are those usually having a value of £1,000 or higher and with a life of more than one year. Some smaller items such as IT equipment can be grouped together and treated as capital items. The process to be followed for the procurement of capital items depends on the value of item and the funding stream.

If the purchase of the item was planned for then there should be sufficient funding included in the relevant committee budget (usually account code 4040 Property and Equipment). If this is the case, then there is no requirement to obtain approval from the committee prior to the purchase. However, it is recommended that large value capital purchases (say, exceeding £10,000) such as new vehicles are discussed prior to purchase and the decision recorded in the minutes of the relevant committee. There is no requirement for the Chair, Vice-Chair, or other members of the committee to be involved in the final selection of supplier.

If the committee's budget is insufficient to procure the item then the committee should either make a recommendation to fund the purchase from the Pooled Property budget (cost centre 499) or resolve to use funds held in an earmarked reserve. See section 13.

Making capital purchase decisions

When comparing quotations for capital items, staff must consider and document (using the form at Appendix A):

1. Reasons for making the purchase (The "*Business Need*")
2. The details and asset number of the item being replaced (if a replacement purchase)
3. The budget line being used to make the purchase

4. Details of the three suppliers providing the quotations.
5. If less than three quotations, the reason for this
6. Any specific information about any of the suppliers e.g. previous purchases / knowledge
7. Any environmental issues relating to three suppliers
8. Any environmental impact relating to the Council
9. The cost quoted by each supplier (initial cost, year 1)
10. The expected life of the asset
11. An estimate of on-going costs to be incurred during the life of the asset (e.g. maintenance contract / replacement parts)
12. The overall cost expected to be incurred during the life of the asset (initial cost + in-year ongoing)
13. The decision made and the justification for making that decision (e.g. financial / environmental / prior knowledge)

The completed form shall then be passed to the RFO. Records of all capital items are retained by the RFO and feed into the Council's Asset Register and future budget setting.

9 Maintenance Contracts

Maintenance contracts are either taken out when a new asset is purchased or agreed at a later date. Such contracts are often over a number of years and feed into future budget setting. It is important that staff taking out such contracts consider the cost across the full life of the contract as there are often significant price increases in later years. When agreeing such contracts staff must consider and document (using the form at Appendix B):

1. The item / building the maintenance contract is for
2. The duration of the contract
3. The cost of the contract in each year (including any price increases to be applied to future years)
4. The total cost of the contract across its term
5. The time period (window) for when the contract can be renegotiated – contracts are often “rolled over” and if the opportunity is missed to negotiate / not renew this can lead to higher costs

Once complete a copy of the form and a copy of the SIGNED contract should be passed to the RFO.

10 Utilities contracts

Contracts for utilities including electricity, gas and telephones shall be undertaken centrally by the RFO. Quotes shall be obtained using town council-specific broker who is able to obtain preferential rates due to increased purchasing power. Such quotes should be compared to renewal prices received from existing suppliers.

When agreeing such contracts, the RFO shall consider:

1. The most suitable term of contract, dependent on estimated market / price changes
2. Green issues, both in terms of the integrity of the supplier and the Council's own plans and initiatives to reduce its carbon footprint
3. Customer service history of the suppliers
4. Available discounts for paying by direct debit

11 Leasing contracts

Items that are not purchased out right can be rented instead e.g. photocopiers. It is important that staff are aware of the type of leasing arrangement they are entering into as each type has different consequences in the accounting statements and obligations of the Council:

Operating lease	Finance lease
Ownership of the asset remains with the lessor	Ownership of the asset can transfer to the Council at the end of the lease
Similar to renting the asset	Treated like a loan to purchase the asset
The Council only pays a monthly lease payment	The Council also must pay the cost of insurance, maintenance, and taxes
e.g. photocopiers, coffee machines	e.g. plant and machinery, land

When agreeing such a contract the following should be documented (using the form at Appendix C):

1. The item being leased and the business need
2. The suppliers and options considered
3. The reasons for using the chosen supplier
4. The duration of the lease
5. The cost of the lease in each year (including any price increases to be applied to future years)
6. The total cost of the lease across its term
7. The outcome of the lease (e.g. will the Council own the asset? Will the item be returned, and a new lease be taken out for a new model?)

A copy of the form and the **SIGNED** lease agreement shall be passed to the Finance Team.

12 Large value contracts and Specialist Services

There are specific rules which must be adhered to in relation to contracts. These include²:

- (i) Specialist services such as solicitors, accounts, surveyors, and planning consultants
- (ii) Work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant
- (iii) Work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council
- (iv) For goods or material proposed to be purchased which are proprietary articles and/or which are sold only at a fixed price.

² SO 30(a)

The steps to be followed depend on the value of the proposed works / service:

1. If the purchase is for less than £5,000 (and there is sufficient budget available) the order can be placed by the staff member, with no additional involvement from the committee. The purchase shall be reported to the committee in the next management accounts report
2. If the purchase is between £5,000 and £50,000 then three quotations to be obtained³ and the decision be made by the Chair (or Vice) of the committee, together with the Town Clerk.
3. Any contracts for works / services over £50,000 require additional steps to be taken. The Council must adhere to specific rules when placing contracts for large scale projects, including building work. Generally, if the expected value of the works exceeds £50,000 then a full-scale tendering exercise must be undertaken and at least three firms must be invited to tender. The Council can either select three firms based on prior knowledge / expertise or advertise the opportunity to tender on the open market. The advertising on the OJEU Contracts Finder website may also be required if the works are expected to exceed the threshold included in the regulations (currently £181,302 last updated July 2019). Further guidance to the process which must be followed can be found in the SFIs.

³ If it is not possible to obtain three quotations e.g. due to specialist nature these reasons must be documented (see also footnote 1)

13 Funding options

There are six potential funding streams available:

1. **Purchases are funded by approved, in-year budget within the responsibility of the appropriate spending committee.** A committee is unable to spend any budgets which are within the control of a different committee. If there is insufficient budget under the particular account code (e.g. 4040 property an equipment) but the committee expects there to be budget savings elsewhere within the same cost centre then the Town Clerk or RFO can authorize a transfer between the budget line. If there is an expected budget saving within that committee's budget, but within a different cost centre, then the committee can resolve to transfer budget from one cost centre to another (and this be recorded in the minutes)⁴.
2. **Purchases are funded by a council budget which is under the control of an alternative committee.** The spending committee would need to make a recommendation to Finance and General Purposes Committee which would then require approval by Full Council.
3. **Purchases are funded by the central pooled property budget (499/4864).** Use of this fund would require a recommendation from the spending committee to the Finance and General Purposes Committee, which would then approve (or not) the use of this budget. This would be recorded in the minutes (as a matter referred).
4. **Purchases are funded by an earmarked reserve.** If the earmarked reserve is under the control of the spending committee then the committee can approve the use (and this be recorded in the minutes). If the earmarked reserve is under the control of an alternative committee then a matter referred would be considered.
5. **Purchases are funded by a grant.** The grant should be applied for and awarded prior to the goods / service being procured.
6. **Purchases are funded from the General reserve.** This would occur in exceptional circumstances and would require a resolution by Full Council to do so.

⁴ SFI 4.3

APPENDIX A

Capital Purchase Decision Form

1. Reasons for making the purchase (The “*Business Need*”)

2. The details and asset number of the item being replaced (if a replacement purchase)

3. The budget line being used to make the purchase

4. Details of the three suppliers providing the quotations.
 - (i)
 - (ii)
 - (iii)

5. If less than three quotations, the reason for this

6. Any specific information about any of the suppliers e.g. previous purchases / knowledge

7. Any environmental issues relating to three suppliers

8. Any environmental impact relating to the Council

9. The cost quoted by each supplier (initial cost, year 1)

(i)

(ii)

(iii)

10. The expected life of the asset

11. An estimate of on-going costs to be incurred during the life of the asset (e.g. maintenance contract / replacement parts)

12. The overall cost expected to be incurred during the life of the asset (initial cost + in-year ongoing)

13. The decision made and the justification for making that decision (e.g. financial / environmental / prior knowledge)

Signed.....

Date.....

APPENDIX B

Maintenance Contract Decision Form

1. Details of the item / building the maintenance contract is for

2. The duration of the contract

3. The cost of the contract in each year (including any price increases to be applied to future years)

4. The total cost of the contract across its term

5. The time period (window) for when the contract can be renegotiated – contracts are often “rolled over” and if the opportunity is missed to negotiate / not renew this can lead to higher costs

Signed.....

Date.....

APPENDIX C

Leasing Contract Decision Form

1. Details of the item to be leased and the Business Need for the item

2. Details of options from all suppliers considered

3. The reason for the chosen supplier

4. The duration of the lease

5. The cost of the lease in each year (including any price increases to be applied to future years)

6. The total cost of the lease across its term

8. The outcome of the lease (e.g. will the Council own the asset? Will the item be returned, and a new lease be taken out for a new model?)

Signed.....

Date.....