

Report

Report to:	Executive Committee
Date of Meeting:	22 September 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Standing Orders on Contracts – Amendments in Relation to Use of Quick Quote
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1. Purpose of Report

1.1. The purpose of the report is to: -

- ♦ seek approval of the proposed amendments to the Council's Standing Orders on Contracts in relation to the use of quick quote process

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s): -

- (1) that the following revisions to the Standing Orders on Contracts, as detailed in Appendix 1 of the report, be endorsed and referred to the Council for formal approval: -
- ♦ an increase in the current limit for procuring works contracts using the quick quote process from £50,000 to £2m to allow for quicker and more simplified procurement exercises and to give greater scope to award higher value contracts locally and
 - ♦ an increase in the requirement to seek quotes from local small and medium sized enterprises (SMEs) – 4 (previously 2) from 5, if such SMEs are available, to give greater scope to award more contracts locally

3. Background

- 3.1. The Council approved a Community Wealth Building Strategy in March 2020 with the central aim to build a more resilient local economy, with more local employment and a larger and more diverse business base. Five pillars support the delivery of the strategy including one focussed on how the Council and anchor institutions spend to develop dense local supply chains of businesses likely to support good employment and retain work locally.
- 3.2. The spend pillar is supported by an action plan detailing the measures that will be taken to increase the levels of local spend. This includes the review of the Council's procurement practices.
- 3.3. One specific area for review relates to how the Council procures and where more flexibility is afforded by the Scottish Government Procurement Regulations in how that can be done.

- 3.4. The Council's Standing Orders on Contracts set out the requirements for tendering and contract award covering areas such as advertising and reporting, authorisation and use of various procurement routes to market. The requirements can vary depending on the type of contract (i.e., service, supply or works) and the value. Changes to the Standing Orders on Contracts can be made within the boundaries set by the Procurement Regulations, subject to committee approval.
- 3.5. Procurement for goods, services or works where the estimated value exceeds £50,000 are subject to procurement routes which may include using an open tender procedure or awarding call offs from Framework Agreements.
- 3.6. Quick quote is a simpler process for requirements less than £50,000 which allows the Council to select and invite suppliers to quote for contracts without public advertising and targeted at local businesses and SMEs, where they exist. Prospective bidders can register their interest in receiving quotes and online quotes are requested by the Council, following selection of an appropriate group of suppliers. The process is quicker and simpler for both the Council and bidders and a suitable route to market to encourage local SMEs to engage with Council contract opportunities.
- 3.7. In 2020, the Scottish Government issued Construction Policy Note ("CPN") 9/2020 to encourage the use of the quotation process Quick Quote for tendering construction contracts for works where the value is less than £2million and services where the value is less than £50,000. This approach is being encouraged by Scottish Procurement on the basis that it will allow for quicker procurement, use a more simplified and consistent approach, and will provide compliance with general principles of openness, transparency and equal treatment.

4. Current Position

- 4.1. Currently, in terms of the Council's Standing Orders on Contracts, the Quick Quote process can be used for goods, services or works where the estimated value of the requirement is between £5,000 and £50,000 and requires at least 5 quotes to be obtained.
- 4.2. At least 2 quotes should come from SMEs having their place of business within South Lanarkshire, if such SMEs exist.

5. Proposed Changes

5.1. Limit for Using Quick Quote for Works Contracts

- 5.1.1 It is proposed to increase the current financial limit for procuring works contracts using quick quote from £50,000 to £2million, taking the value to the limit set out in CPN9. A summary of the proposed changes are provided in Appendix 1 to the report.
- 5.1.2 Other procurement routes will also continue to be used, as appropriate, including call offs from existing frameworks. The choice of procurement route will be guided by the availability of suitable suppliers and the timescales for delivering projects.

5.2 Quotes from local SMEs

- 5.2.1 It is also proposed that the minimum number of quotes to be obtained from local SMEs where quick quote is used is increased to 4 (from 2) for goods, services and works where such SMEs exist.

6. Benefits

- 6.1. The increased threshold for procuring work contracts should allow for a greater

number of works contracts to be put to the market in a shorter period with a quicker turnaround for subsequent evaluation and award. This approach will also allow more higher value tender opportunities to be available to South Lanarkshire businesses where they exist.

- 6.2. To give an indication on the potential volume of contracts that could fall within the increased quick quote limit, there were 10 construction contract awards during 2020/2021 that were within the range of £50,000 to £2million. A total of 38 contracts below £2million were awarded through existing frameworks.
- 6.3. The increase in the minimum number of quotes from local SMEs should allow local companies to bid for more contracts from the Council. To give an indication of the potential volume of contracts that could fall within the new requirement for 4 local quotes, in 2020/2021 there were 64 quick quotes.
- 6.4. Both changes will support one of the main aims of the Community Wealth Building Strategy in developing the local supply base and growing the local economy.

7. Employee Implications

- 7.1. Employees who engage in the procurement activity referenced in the report will receive awareness training on the new arrangements. Employee implications will be managed through existing resources.

8. Financial Implications

- 8.1. None anticipated. The current requirement to seek at least 5 competitive quotes should ensure sufficient competition is generated to deliver best value.

9. Climate Change, Sustainability and Environmental Implications

- 9.1. An increase in local procurement will support the Council's sustainability aims.

10. Other Implications

- 10.1. The main risk associated with the changes proposed in the report are insufficient quotes are obtained from local SMEs. Economic Development, supported by Supplier Development Programme, is working with the construction sector to assist with increasing the awareness of contract opportunities and capacity.
- 10.2. The number of contract awards are determined by the procurement requirements from Resources and vary from year to year.
- 10.3. The revised document will be made available on the Council's intra/internet and arrangements made to communicate the revisions to all Resources.
- 10.4. A comprehensive review of the full suite of political management arrangements supporting documentation, of which the Standing Orders on Contracts form part, is now being undertaken as part of the preparations for the new Council term following the Local Government election in May 2022.

11. Equalities Impact Assessment and Consultation Arrangements

- 11.1. There is no requirement to carry out an impact assessment in terms of the proposals within this report.
- 11.2. The Council's Procurement Network has been consulted on the changes proposed in the report.

Paul Manning
Executive Director (Finance and Corporate Resources)

1 September 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, effective, efficient and transparent
- ◆ Ambitious, self-aware and improving

Previous References

- ◆ None

List of Background Papers

- ◆ South Lanarkshire Council - Standing Orders on Contracts 13 February 2020
- ◆ Construction Policy Note (CPN) 9/2020

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact: -

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Standing Orders on Contracts

Summary of proposed changes for procurement of works contracts

Standing Order	Summary of Proposed Change
3. Exempt and Partially Exempt Contracts	
3.2 Estimated value between £5,000 and £50,000 for Provision of Supplies or Services and between £5,000 and £2million for execution of works	
3.2(a)	<p>Amend to increase upper financial threshold at which quotation procedure (Quick Quote) may be used for works contracts from £50,000 to £2million.</p> <p>Amend to clarify:</p> <ul style="list-style-type: none"> • SO19 (selection of tenderers) applies to the award of works contracts where the estimated value exceeds £50,000; • SO20 (checking of pre-qualification responses/tenders and reporting) applies to the award of works contracts where the estimated value exceeds £50,000; and • SO21 (acceptance of tenders) applies to the award of works contracts where estimated value exceeds £200,000.
3.2(b)	<p>Amend to increase a minimum of quotes/bids from SMEs having their place of business within local government area of South Lanarkshire from 2 to 4 (if such SMEs are available).</p> <p>Amend to clarify place of business for a SME does not require it to be their registered or principal office.</p>
3.2 (d)	<p>New to ensure that the persons invited to submit quotations are selected on a fair, transparent and non-discriminatory basis, and in a manner at all times compliant with the EU Treaty Principles using a selection process approved by the Head of Administration and Legal Services.</p>
4. Pre-Tender Requirements	
4.3 Sourcing Strategy	<p>Amend to remove requirement for creation of Sourcing Strategy for procurement of works contract where value is less than £2million unless in the opinion of the appropriate Executive Director the contract is high risk and/or there are special circumstances.</p> <p>Amend to clarify sourcing strategy can be created for contract for goods or services where value is less than £50,000 for goods and services where in the opinion of</p>

	the appropriate Executive Director the contract is high risk and/or there are special circumstances
4.14 Community Benefit Requirement	Amend to clarify that Council's community benefit requirements will not apply to contracts for execution of works where the value is below £2million and the award is being made on basis of lowest price
5. Competition Requirement	
5.1 Contracts over £50,000 for goods and services and £2million for works subject to competition	Amend to increase the financial threshold for works contracts to allow the procurement of works contracts where value is between £50,000 and £2million to be conducted using quick quote process
5.2 Exceptions to the competition requirement	Delete the use of Constructionline as a route for selecting tenderers.