



Report to: Schools Forum
Date of Meeting(s): Thursday 2nd November 2017
Subject: School Contract Standing Orders
Report of: Paul McKeivitt, Director - Resources and Contracts
Contact Officer: Anthony Meehan, Principal Auditor

Purpose of Report: To provide details of the proposed new procurement rules for LA maintained schools which will replace the existing 'Standing Orders relating to Contracts'.

Recommendation(s): Schools Forum members are requested to approve the new School Contract Standing Orders.

Implications:

*What are the **financial** implications?* n/a

*What are the **staffing** implications?* n/a

Risks: Failure to adopt effective governance arrangements and procedures in respect of procurement and contract management could result in an inability to obtain value for money and could leave schools open to procurement challenge.

Please list any appendices:-

Appendix A - School Contract Standing Orders (2017)

1. INTRODUCTION

- 1.1 The Scheme for Financing Schools, made in accordance with Section 48 of the School Standards and Framework Act 1998, sets out the financial relationship between the local authority and the maintained schools which it funds. The scheme requires all maintained schools to comply with the Authority's financial regulations and standing orders in purchasing, tendering and contracting matters.
- 1.2 Decisions in relation to procurement and contracting matters are amongst the most important that can be made by a school and it is imperative that the procedures followed ensure a fair, transparent and legally compliant approach that also seeks to secure value for money for the school.
- 1.3 This report provides an overview of the new School Contract Standing Orders which have been drafted and included at Appendix A. If approved by Schools Forum, these Standing Orders will form the new procedure rules which are to be followed by schools when undertaking their procurement activity.
- 1.4 The Council's Legal and Procurement teams have been consulted on the contents of the new Standing Orders.

2. BACKGROUND

- 2.1 The existing 'Standing Orders relating to Contracts' were drafted over 15 years ago and during this period the standing orders have never been reviewed or updated.
- 2.2 As a result, these rules are outdated, and some areas are no longer fit for purpose. During the same period, the Council's Contract Procedure Rules have been updated on a number of occasions and therefore the requirements placed on schools when spending the funds which have been delegated to them, no longer align to the Council's procurement approach.
- 2.3 The outdated rules have given rise to weak procurement practices and Internal Audit has identified a need to update the Standing Orders in order to develop a more robust approach.
- 2.4 A review of the existing Standing Orders identified the following key areas to be addressed:
 - The thresholds for seeking quotes and tenders need to be amended to align with the Council's thresholds and to ensure that the rigour of the procurement approach is commensurate with the estimated value of the contract.

- Additional procedural information needs to be included within the Standing Orders to identify the steps that need to be taken and when during the procurement activity.
 - It is currently stated that the Council will undertake the tendering process on the school's behalf for contracts with a value in excess of £60,000. Similarly, it notes that the Council will sign or seal any contracts with a value in excess of £30,000. It is no longer feasible for the Council to undertake these processes on schools behalf and therefore schools should be allowed greater autonomy in respect of their procurement activity.
 - More modern approaches to procurement such as the use of Framework Agreements and the evaluation of bids on the basis of both cost and quality are not addressed within the current procedure rules.
- 2.5 Furthermore, schools currently also adopt a separate 'Procedure for the receipt, opening and acceptance of tenders and procedures', which are in addition to the Standing Orders. The new Standing Orders appended to this report will provide one comprehensive document and alleviate the need to maintain a separate procedural document.

3. PROPOSALS

- 3.1 It is proposed that the 'School Contract Standing Orders' which have been drafted and appended to this report are adopted and the procedures subsequently implemented by all LA maintained schools. These will replace the existing procurement rules for schools.
- 3.2 The contract value at which an open tender process is required has been increased from £30,000 to £50,000. Given the rigour of this formal process it is felt that the newly proposed threshold is more proportionate.
- 3.3 The contract value at which three quotations are required has been reduced from £10,000 to £5,000. This aligns with the Council's thresholds and ensures that contracts are subject to competition at an appropriate level. Whilst the threshold was previously set at £10,000 a number of Governing Bodies delegated a lower threshold of £5,000 for seeking quotations.
- 3.4 The new 'School Contract Standing Orders' set out the procedures which are to be followed when inviting, receiving, opening and accepting tenders and quotations. Schools will no longer be expected to maintain a separate procedural document as is currently the case.
- 3.5 Going forward schools will be responsible for their own procurement activities irrespective of the value of the contract. The requirement for

the Council to undertake the tender exercises for contracts above £60,000 has been removed. It is however recommended that schools commission appropriate expertise to support them with any high value or complex procurement exercises.

- 3.6 The requirement for the Council to sign or seal school contracts above £30,000 has been removed. The procedure rules do however require that the Council's Legal Service review and agree the form of contract where the estimate value of the contract exceeds EU procurement thresholds.
- 3.7 The new Standing Orders reflect current approaches to procurement and cover, for example, the approach to utilising Framework Agreements and the evaluation of quotes and tenders on a 'Most Economically Advantageous' basis, allowing a consideration of both cost and quality.
- 3.8 Internal Audit is to review associated financial procedure documents and ensure that these are updated where necessary to align with the new Standing Orders if these are approved. A series of communications with schools is planned to assist with the implementation of the new procedure rules.

4. RECOMMENDATION:

The Forum is asked to:

- (1) Consider the details within this report and the appended 'School Contract Standing Orders'.
- (2) Approve the 'School Contract Standing Orders' for subsequent implementation within all LA maintained schools.