

North Tyneside Council Report to Cabinet 10 November 2014

ITEM 7(f)
**Helping Business do
Business with North
Tyneside**

Portfolio(s): Finance and Resources

Cabinet Member(s): Cllr Ray Glindon

Report from Service Area: Law and Governance

Responsible Officer: Vivienne M Geary, Head of Law and Governance **Tel:** (0191) 643 5339

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to:

- (a) Update Cabinet on progress made in supporting local suppliers and small and medium sized enterprises (SMEs) to 'Supply North Tyneside', win procurement contracts and do business with the Authority;
- (b) Outline work undertaken to analyse the payment terms currently used by the Authority's main strategic partners, when they in turn pay businesses in their supply chain, and work which is underway to influence those payment terms;
- (c) Explain the current measures that are available to the Authority to standardise the time taken by our partners, both current and future, to pay their suppliers; and
- (d) Agree that the Authority's contract provisions will be amended to ensure that for all appropriate new contracts, it will be usual for our contractors to pay their suppliers within a standard 30 day period, and that only by exception (agreed with the Authority) will payment terms for sub-contractors exceed 30 days. This will help to ensure that our extended supply chain is paid promptly, responding to feedback which we have received from stakeholders, and is in line with recently strengthened national guidance and expected legislative changes.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Note the action taken and progress made to support suppliers (including local businesses and SMEs) seeking to do business with the Authority, and further actions planned to help develop the local economy through procurement;
- (b) Note the work which is underway to influence and where possible standardise the time taken by our existing partners to pay those in their supply chain promptly; and
- (c) Agree that the Authority's contract provisions will be amended to ensure that for all appropriate new contracts it will be a usual requirement for contractors to pay undisputed invoices from their sub-contractors within 30 days, and that any exceptions to such 30 day standard payment terms will be agreed between the Authority and contractor in advance.

1.3 Forward Plan:

28 days notice of this report has been given and it first appeared on the Forward Plan that was published on 6 October 2014.

1.4 Council Plan and Policy Framework

Procurement activity supports all service responsibilities as identified within the Council Plan.

1.5 Information:

Background – Analysing the Supply Chain, Local / SME Supply and ‘Supply North Tyneside’

- 1.5.1 In the 21st century, most public sector organisations buy their goods and services as much, or more often, than they provide them directly. For that reason a strong clear approach to procurement, and a sound understanding of our supply chain, is essential – for the delivery of all Council priorities, and to fulfil the expectations of those we serve. In a period of financial austerity and rising expectations for service delivery, it is critical that North Tyneside Council uses its purchasing power to secure best value for our customers and the taxpayer. In a difficult economic climate, it is also important that the Authority understands the local impact of its purchasing power and the benefit our supply chain can bring to North Tyneside.
- 1.5.2 Substantial work has been undertaken to understand the Authority’s procurement needs, purchasing practices and buying trends. This has included work to identify and understand our supply chain (including the top 250 suppliers by value, and who and what proportion are our ‘local’ suppliers), and the aspirations of that supply chain. As part of this work, the Authority has engaged with a wide range of stakeholders regarding our commercial and procurement approach – including membership and Directors of the North Tyneside Business Forum, North East Chamber of Commerce, the Federation of Small Businesses, Chambers of Trade via the Council’s Town Centre Task Group, representatives of the Voluntary and Community Sector, the Authority’s own procurement service, and the wider procurement community within the Authority.
- 1.5.3 This work, including our engagement with key stakeholders and the suggestions which they put forward, informed the development of a clear set of commercial and procurement principles which were codified within the Procurement Strategy 2013-2017. After listening to key stakeholders, the procurement principles confirmed a number of aspirations, which have been reviewed and refreshed as follows:
- that North Tyneside Council is ‘open for business’;
 - that suppliers have the chance to understand the Authority’s business;
 - that the Authority has accessible people, processes and opportunities;
 - that we make use of helpful technology to undertake the procurement process;
 - that the Authority promotes enduring business relationships with suppliers from a range of backgrounds;
 - that public procurement must be more responsive to the capabilities of the regional supply market, and consider initiatives to promote doing business between the public and private sectors;
 - that stronger community and voluntary sector collaboration should be encouraged;
 - that the Authority’s approach should encourage local sub-contracting and using partnerships.

- 1.5.4 The Procurement Strategy 2013-2017 specifically addresses the feedback from engagement regarding the importance of supporting local procurement. It was clear from a number of stakeholders that “local” is a critical issue. The Procurement Strategy sets out a clear ambition that the numbers of local suppliers (both business, and the voluntary and community sector) should be encouraged to increase, for the benefit of the local economy wherever possible, within the legal limits which govern how the Authority must operate. As many of these local suppliers are small and medium sized enterprises (SMEs), in turn an increase in local supply would also be likely to increase the number of SMEs in the Authority’s supply chain.
- 1.5.5 The Authority had gathered data on those suppliers with an address within the boundaries of North Tyneside. In response to the feedback received regarding the importance of the wider regional supply market, the opportunity has been taken to define a local supplier in a more meaningful way. This most properly includes those within the area best able to deliver the Authority’s economic and environmental objectives as part of their service delivery to the Council. A local supplier has therefore been defined in the Procurement Strategy as one within the “travel to work area” (TTWA¹) of North Tyneside. We have developed our approach to inform and encourage local suppliers to bid for contract opportunities.
- 1.5.6 Our analysis of the supply chain, and work to support small and local suppliers to do business with the Authority, has continued under the Commissioning, Commercial Capacity and Procurement arm of the Creating a Brighter Future change programme. This is outlined further below.

Supporting local suppliers to win business – what has been achieved?

- 1.5.7 The proportion of supply from local businesses – both in terms of the value of spend, and the number of suppliers – has increased steadily. In 2011/12, North Tyneside businesses constituted 12% of the Council’s supplier base, but received around 31% of the Authority’s spend. By 2013/14, this number had increased to North Tyneside businesses accounting for 25% of the Council’s supplier base, and receiving around 43% of the Authority’s spend.
- 1.5.8 The proportion of suppliers within the TTWA has also increased – with around 45% of suppliers within the TTWA in 2013/14 (an increase from 24% in 2011/12), also receiving around 45% of the Authority’s spend in 2013/14 (an increase from 34% in 2011/12). This is shown in the table below.

¹ Travel to Work Areas (TTWAs) have been developed by the Office of National Statistics as approximations to self-contained labour markets, i.e. the areas where most people both live and work. As such they are based on a government statistical analysis of census data, rather than administrative boundaries.

Local Suppliers (TTWA) – Value of Spend and Percentage of Spend

	2011/2012	2012/2013	2013/2014
Total value of spend	£229,530,141	£202,592,151	£244,388,804
Total value of spend with local suppliers (TTWA)	£79,055,965	£80,032,997	£109,671,104
Total value of spend with local suppliers (North Tyneside)	£71,916,234	£42,456,585	£104,031,223
% value of spend with local suppliers (TTWA)	34%	40%	45%
% value of spend with local suppliers (North Tyneside)	31%	21%	43%
Number of suppliers	4378	4097	5380
Number of local suppliers (TTWA)	1029	923	2441
Number of local suppliers (North Tyneside)	526	585	1355
% number of local suppliers (TTWA)	24%	23%	45%
% number of local suppliers (North Tyneside)	12.01%	14.28%	25.19%

Source: Cofely Procurement Team, TTWA Supplier Statistics, October 2014

1.5.9 The Authority has made a number of practical changes aimed at simplifying our procurement process, and making contracting opportunities easier to access by suppliers and specifically smaller and local suppliers. In addition to paying our own suppliers promptly (discussed further below – paragraph 1.5.22), in the last year we have:

- **Eased administrative requirements** in a number of key areas. This has included, for example, a commitment only to use a Pre Qualification Questionnaire (PQQ) on procurement exercises involving a contract value above £100k, saving time and effort on contracts which smaller businesses may be interested in bidding for. We have also developed an online PQQ for tenders of a greater value, but changes in European and national procurement rules may supersede this (discussed further below – paragraph 2.2).
- **Reviewed financial thresholds** at the time of every tender – to make sure that these are appropriate to the size of the contract, again so that smaller businesses are not precluded by thresholds which are unaffordable.
- **Reviewed insurance levels** and reduced the minimum insurance levels where possible, again to reduce the financial burden on small and medium suppliers whilst ensuring adequate control and maintaining appropriate safeguards for the Authority. We are also able to review and adjust insurance levels on individual contracts, depending on risk.
- **Developed a local supplier training programme**, jointly with the North East Procurement Organisation (NEPO). We already use the NEPO portal, an online secure site, to advertise our contract opportunities and receive submitted bids; as this is also used by all other North East authorities, this promotes a standardised and familiar approach for suppliers in our region.
- **Refreshed our internet offer**, specifically our pages relating to procurement, to facilitate easy access to contracting information and link our pages to NEPO.
- **Used social media more effectively**, for example exploring the advertisement of our contract opportunities on networking sites.

1.5.10 Perhaps one of the biggest practical changes has been our continued focus on engagement and the introduction of a range of supplier events, tailored to helping small and local suppliers understand our business and giving clear, helpful advice and information on a variety of procurement topics. To date, during 2014/15 these have included:

- **‘Know Our Business’** – this event, organised and hosted by our Authority, was attended by over 80 local suppliers who provided a high satisfaction rating on the value and usefulness of the sessions offered (87% rated this as ‘good’ or ‘excellent’). During the event, a range of workshops were provided, advising on topics such as completion of health and safety elements in tenders, the hallmarks of successful bids, and working together to win business. Officers from services throughout the Authority were in attendance, including Adult Social Care, Catering, Public Health, Environment and Leisure, in addition to schools and representatives of some of the Council’s major partnerships (including Capita, Cofely and Kier North Tyneside). Delegates from Crown Commercial Services (formerly the Office of Government Commerce) also attended and participated in the event.
- **Using the NEPO Portal** – as a member of NEPO, a range of NEPO facilities are used which are intended to help suppliers identify and submit bids for business with North Tyneside. The portal is the key online tool for suppliers to access these opportunities. We hosted a specific event, presented by the Authority and NEPO, at which suppliers were able to book an hourly slot for help and advice on using the portal. Again, we received positive feedback from those businesses which participated.
- **Supplier Workshop on ‘Writing Winning Tenders’** – in conjunction with NEPO, the Authority hosted a workshop aimed at helping local suppliers write winning tenders. Over 40 local suppliers attended this event and this appeared to be well received by these delegates.
- **Local Supplier ‘Winning Business’ event** - this event hosted a number of sessions for local suppliers, in which a NEPO consultant offered advice and guidance on tendering and winning business with local authorities.
- **Regular Business and Enterprise Events** – have taken place throughout the year, including ‘business safaris’ to local suppliers, supply chain events, and local business networking sessions hosted by the Authority’s Business and Enterprise team.

1.5.11 We have also reflected on other steps which have been introduced which appear to have been less successful in encouraging procurement with small and local businesses. For example, the Council introduced a ‘Quick Quotes’ system which automatically invites quotations for smaller value work to at least two local suppliers, in addition to any other suppliers that may exist in the wider marketplace. However, we have found that Quick Quotes does not always have a supply chain able to support the goods and services being procured (in other words, suppliers capable of undertaking the work or supplying the goods are not always registered on Quick Quotes). This has therefore been used in only a small number of cases and we are continuing to keep this area under review.

1.5.12 Similarly although consideration has been given to breaking down contracts into smaller separate ‘lots’, to make procurements more accessible to smaller businesses, in a number of cases it has offered better value for money to the Authority to consolidate contracts. This demonstrates the tension that can exist between smaller lots and gaining optimum value for money.

1.5.13 It should also be noted that there are developments in the European and national procurement arena, aimed at supporting public procurement for SMEs generally, which may lessen the opportunity for local supply. For example, in response to a report from Lord Young (governmental adviser on small business and enterprise) on ‘Growing Your Business’ in 2013, the Government have recently consulted on their intention to mandate the advertising of all contract opportunities on a national ‘Contracts Finder’ site. This will widen the visibility of potential contracting opportunities, but may mean many more submissions from suppliers (including SMEs) outside of the local area. However, this would also allow greater visibility of national contract opportunities for our local suppliers.

Supporting local suppliers and SMEs – what else is planned?

- 1.5.14 In the coming year we expect to build on the success of our recent engagement events by holding a number of targeted workshops, based on category groups of suppliers. It is proposed that invitations will be determined by our ongoing spend analysis of the Authority's categories of spend, and suppliers in each category, with a local emphasis.
- 1.5.15 It is also proposed to host an 'Understand our Business' event every six months, given the positive feedback on our recent similar event. This will help to ensure that timely commercial information on what the Authority will need to buy is available to the market (particularly local and SMEs) along with advice and support on how to compete effectively.
- 1.5.16 As part of the Authority's business partnership with Cofely GDF Suez – which now delivers the procurement service in partnership with the Authority – we will develop more information around forward buying plans, work with the supply chain to discuss requirements and provide further supplier training to help the local supply base prepare for forthcoming opportunities.
- 1.5.17 We have introduced a new procurement Key Performance Indicator in our business partnership with Cofely, specifically reflecting the importance of encouraging business with the local supply chain.
- 1.5.18 We are also in the process of developing a 'one stop' document to hold, in a single place, all the necessary detail and documentation that any supplier might need if they wanted to do business with the Authority. This will also include details of how to do business with other major partners, such as Kier North Tyneside and Capita, whose suppliers are in turn part of the extended supply chain of North Tyneside Council.
- 1.5.19 We will need to develop and refine our data on SMEs within our supply chain. "SME" is defined in European law, the main factors determining classification as an SME being number of employees and turnover. In general terms, an SME is defined as a supplier with less than 250 employees, with a turnover of less than €50m (with sub categories of medium, small and micro sized businesses under that). Currently, there are no specific targets for the proportion of the local government supply chain which should comprise SMEs, though there is a target for central government (25%, by value, of total central government procurement spend to go directly to SME prime contractors and their sub contractors by 2015). It would help us to further understand our supply chain, including our local supply chain, by developing our knowledge base on SME suppliers. Again, in future, changes in European and national procurement law are also likely to require this data to be gathered on a consistent basis between local authorities and published in one place.
- 1.5.20 We have also examined the issue of payment terms to our suppliers, and those who supply the Authority via our partners. This is discussed further below.

Payment Terms – Differences Between Local Government and the Private Sector

- 1.5.21 Payment terms, and specifically the length of time that organisations include in their contracts for paying suppliers, have been the subject of increasing debate. The length of time that suppliers wait to receive payment has a direct impact on their cashflow and in turn business survival. In the case of late payment, this can also have a knock-on effect and significant detrimental impact to other suppliers in the main supplier's chain.
- 1.5.22 Payment terms from the public sector have traditionally been prompt. For the last twenty years, national and local government have aimed to pay invoices within 30 days. North Tyneside Council has 30 days as its standard payment terms, but strives to pay suppliers more quickly than this (within 14 days). This is the target used by the Financial Processing team who pay invoices on the Authority's behalf. Between April 2014 and September 2014, 93.99% of North Tyneside Council's invoices were paid within 14 days.
- 1.5.23 The range of ways in which local authorities now deliver their services brings about new issues and challenges regarding payment terms for the extended supply chain – that is, when local authorities deliver services through a strategic partner which is then responsible for engaging and paying suppliers. In general, the private sector's standard payment terms tend to be longer than those of the public sector, and 45 or even 90 days can be common. The effect of this can be that suppliers previously engaged by the local authority, and then subsequently engaged by a partner, may find that they are paid more slowly than when engaged by the local authority directly (even though, in effect, it is the same supply).
- 1.5.24 This matter has been discussed in detail with the Elected Mayor, and the Cabinet Member for Finance and Resources, following feedback from local businesses. A small working group of officers has examined what can be done in the short and medium term through the ongoing projects in the Creating a Brighter Future change programme to facilitate a more consistent approach to payment terms between the Authority's partners. The outcomes from this work are discussed further below.

Our Partners – the Extended Supply Chain

- 1.5.25 The Authority now delivers many of its services in collaboration with a number of partners and other service providers. These range from large strategic partnerships to smaller, important service delivery contracts with a wide range of organisations.
- 1.5.26 On 25 March 2010, the Office of Government Commerce (now Crown Commercial Services) provided guidance that allows central government departments and non-departmental public bodies to mandate 30 day payment terms in its own contracts – in other words, to require our partners, in turn, to pay their suppliers within 30 days. Some of the Council's contracts contain this clause; others (particularly those which were entered into before the guidance was published) do not. There is therefore an inconsistent approach to payment terms between the Council's partners, regarding the length of time taken to pay their suppliers.

What does the law say?

- 1.5.27 There is growing national awareness of the importance of paying suppliers promptly, supported by legislation and regulation. For example, there is an EU Directive on Combating Late Payment in Commercial Transactions, introduced in 1998 and updated in March 2013, which covers a statutory right to interest for small businesses which receive late payment from large firms and the public sector.

- 1.5.28 The Department for Business, Innovation and Skills also established a 'Prompt Payment Code' to 'drive change in payment culture and encourage good payment practice', to which North Tyneside Council, Capita and Kier are some of a range of signatories. However the Prompt Payment Code exists only to promote good practice and has no power to sanction prompt payment.
- 1.5.29 Very recently (October 2014), the Authority was invited to submit comments to Government on proposed new UK Public Contract Regulations (in response to changes in European Procurement Directives which were agreed in March 2014, in force from April 2014). The proposed new Public Contract Regulations include provisions recommended in the Lord Young 'Growing Your Business' reforms, and are likely to mandate 30 day payment terms not only for local government suppliers, but also for all suppliers throughout local government's extended supply chain. We are awaiting the outcomes of the consultation, confirmation of the changes this will mean and a definitive implementation date.
- 1.5.30 Under the Creating a Brighter Future change programme, we have examined what can be done on a contract by contract basis to speed up payments to the supply chain within our partnerships, and where possible to require payment within 30 days. Regarding what the Authority can legally do to standardise payment terms at the present time for the extended supply chain, there is a distinction between different classifications of current partnerships, and what can be done for future contracting arrangements. This is discussed below.

Accelerating payment terms of our partners to the extended supply chain

- 1.5.31 For **future** contracts for goods and services, the Authority can adopt new contract provisions requiring all of the Authority's contractors to pay sub-contractors within a 30 day period where this is appropriate and the payment is not disputed.
- 1.5.32 Regarding **existing** contracts and partnerships:
- For those contracts where we have already utilised 30 day payment terms no further action is required, as the contract stipulates that the partner must fulfil 30 day payment terms to its suppliers.
 - For call-off contracts which operate as a framework contract the Authority may stipulate 30 day sub-contractor payment terms to each new call-off order contract entered into under the framework.
 - For other contracts, there is currently no specific legal provision to require contractors to adopt a 30 day sub-contractor payment term. At the present time, this would mean that the Authority would need to seek to encourage and persuade our partners to cascade a 30 day payment term down the sub-contractor supply chain as far as possible, where this is deemed appropriate.
- 1.5.33 The Authority would need to be mindful that seeking to enforce a contractual change may trigger costly and time consuming changes to the financial models on which the contracts are based. As such, at the present time negotiation and persuasion to move to a 30 day payment policy for these suppliers' extended supply chain would be the most viable option to seek to secure this outcome. It is also possible that introducing a sub-contractor payment term as part of standard contract terms may have an implication in the prices which are offered by suppliers. The price consequences will depend on whether the relevant sector or contractor is able to absorb the implications as part of its overall operational costings.
- 1.5.34 The Authority should be mindful that in certain circumstances, 30 day payment terms may not be appropriate or may be too onerous. Flexibility should therefore be maintained in case circumstances demand a different approach.

Where invoices from a sub-contractor to a main contractor are disputed, it would also be reasonable to withhold payment pending resolution of any dispute.

Next Steps

- 1.5.35 Given the legal position outlined above, and the importance of prompt payment to all suppliers in the Authority's extended supply chain, it is recommended that:
- (a) The Authority adopts new contract provisions requiring that in all new contracts, where the Authority considers it appropriate, our contractors agree to pay undisputed amounts to sub-contractors within a 30 day period.
 - (b) Where the Authority operates under a framework contract, that as new call-off contracts are entered into, 30 day sub-contractor payment terms are applied where appropriate taking into account the particular circumstances of the procurement.
 - (c) In the case of existing strategic contracts, and PFI contracts, that discussions take place at a suitable strategic partnering working forum for each contract / partnership to look at what more we are able to do to accelerate payment to sub-contractors by our partners.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

That Cabinet approves the recommendations at paragraph 1.2 of the report and:

- (a) agrees to the amendment of the Authority's contract provisions to require that for all appropriate new contracts it will be a usual requirement for contractors to pay undisputed invoices from their sub-contractors within 30 days, and that any exceptions to such 30 day standard payment terms will be agreed between the Authority and contractor in advance; and
- (b) agrees that discussions continue with our existing partners to encourage standardisation of their payment terms in line with the Authority's.

Option 2

That Cabinet does not agree to the recommendations at paragraph 1.2 of the report, and does not agree to changes to the contract provisions for new contracts, and / or to working to standardise payment terms in our existing partners' arrangements.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reason:

This will respond directly to feedback from stakeholders regarding the importance of prompt payment to suppliers, including local suppliers and SMEs. It will also allow the Authority to operate in line with recently strengthened national guidance and changes likely to take effect under new UK Public Contract Regulations in future.

1.8 Contact officers:

Allison Mitchell, Senior Manager: Audit Risk & Procurement, 0191 643 5720

Mark Longstaff, Head of Commissioning and Investment, 0191 643 8089

Paul Hanson, Deputy Chief Executive, 0191 643 7000

Alison Campbell, Finance Business Manager, 0191 643 7038

Background information:

- [Procurement Strategy 2013-17, March 2013](#) (P)
- [Growing Your Business – A Report on Growing Micro Businesses \(the second part of the report on small firms\), Lord Young, May 2013](#) (P)
- [Make Business Your Business \(Supporting the Start Up and development of Small Business\), Lord Young, May 2012](#) (P)
- [Consultation Document – UK Transposition of New EU Procurement Directives – Public Contracts Regulations 2015, Cabinet Office, September 2014](#) (P)
- [Public Procurement Directive 2014/24/EU](#) (P)
- [EU Directive on Combating Late Payment in Commercial Transactions, 1998 \(Updated March 2013\)](#) (P)
- [Department for Business, Innovation and Skills, Prompt Payment Code Website, 2014](#) (P)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The Authority is required to seek to obtain optimum value for money through its procurement activities, and this requirement is unaffected by the recommendations in this report.

It is possible that introducing a sub-contractor payment term as part of standard contract terms may have an implication for the prices offered to the Authority by our suppliers. The price consequences will depend on whether the relevant sector or contractor is able to absorb any financial implications as part of its overall operational costings. Hence some flexibility may be required, reflected in the recommendations in this report. This matter will be monitored, and if any trend of increases in prices is identified, this will be reported through the Authority's established budget monitoring processes.

Should the anticipated change in the UK Public Contracts Regulations, regarding payment of invoices throughout the supply chain within 30 days (explained in 2.2 below) take effect as proposed by Government, this will become a legal requirement throughout local government and the implications for pricing will then be an issue to be monitored by all local authorities.

2.2 Legal

The Authority in its approach to procurement must always comply with EU Procurement rules. The proposals in this report would comply with the current rules.

Cabinet should be aware that legislative changes are proposed which if implemented would impact on the Authority's contracting terms. A summary of the proposals contained within the EU Procurement Directive 2014/24 is set out below.

Member states will have a period of 2 years to implement the provisions contained within the 2014 Directive into domestic law. However, the Authority should be mindful of the pending Regulations when contracting with suppliers to ensure adequate provisions are in place. A further report will be presented to Cabinet detailing the full implications of the Regulations in due course. It is envisaged that the Regulations will not be retrospective and therefore will have no impact on existing contracts.

The EU Procurement Directive 2014/24 (which came into force on 17 April 2014) contains various provisions which are intended to make it easier for SMEs and start-up businesses to access public procurement markets.

The draft UK Public Contracts Regulations 2015 (which will implement the Directive, and which are currently going through consultation), include the following measures:

- (1) Division into lots (*Article 46 of the 2014 Directive and draft Regulation 46 of the draft 2015 Regulations*):

Contracting authorities will be invited to divide public contracts into lots to make them more accessible for SMEs. If they decide not to do so, they will be obliged to provide a specific explanation.

- (2) Payment of undisputed invoices within 30 days by contracting authorities and subcontractors (*draft Regulation 112 of the draft 2015 Regulations*):

Contracting authorities will be required to ensure that every public contract contains provisions:

(a) to pay relevant undisputed invoices for payment due from the contracting authority to the contractor within 30 days;

(b) to consider and verify any invoices for payment submitted by the contractor in a timely fashion; and

(c) that any subcontract awarded by the contractor imposes obligations similar to those set out in sub-paragraphs (a) and (b) above.

- (3) Simplifying pre-qualification obligations (*draft Regulation 110 of the draft 2015 Regulations*):

Amendments to the use of Pre-Qualification Questionnaires (PQQs), including the abolition of PQQs for contracts below the EU procurement threshold, are currently being considered by Government as part of the consultation on the proposed new UK Public Contracts Regulations. This is intended to enable contracts to be more accessible to SMEs and streamline the procurement process. It is proposed that a standardised PQQ is to be used for contracts with a value above the EU procurement threshold.

2.3 Consultation/community engagement

This report has included feedback from engagement and discussion with the Elected Mayor and Cabinet Member for Finance and Resources, and previous consultation (in advance of the Procurement Strategy 2013-2017) with representatives of the business community (including the membership and Directors of the North Tyneside Business Forum, North East Chamber of Commerce, the Federation of Small Businesses, Chambers of Trade via the Council's Town Centres Task Group), representatives of the Voluntary and Community Sector, the Authority's procurement service and the wider procurement community within the Authority. Should Cabinet agree the recommendations in this report, further engagement with the partnership directors of the Authority's existing partnerships is scheduled.

2.4 Human rights

There are no human rights implications arising directly from this report.

2.5 Equalities and diversity

There are no equalities and diversity implications arising directly from this report.

2.6 Risk management

Any risks identified during implementation of the recommendations in this report will be managed in accordance with the Authority's agreed risk management framework. Appropriate legal advice has been taken to ensure that the recommendations made in this report are soundly based, legal, and to assess and manage any likely impact on the models on which existing contractual arrangements are based.

2.7 Crime and disorder

There are no crime and disorder implications arising directly from this report.

2.8 Environment and sustainability

This report outlines action taken to encourage local suppliers to bid for contract opportunities with the Authority. Local supply can have a beneficial impact on the environment and reduction of CO₂.

PART 3 - SIGN OFF

- Deputy Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy X