

# Birmingham City Council

## Report to Cabinet

15<sup>th</sup> October 2024



<b>Title:</b>	<b>NON-KEY DECISION PLANNED PROCUREMENT ACTIVITIES (NOVEMBER 2024 – JANUARY 2025)</b>
<b>Lead Cabinet Portfolio:</b>	Councillor Karen McCarthy, Cabinet Member for Finance
<b>Relevant Overview and Scrutiny Committee:</b>	Councillor Albert Bore, Chair of the Corporate and Finance Overview and Scrutiny Committee
<b>Report Author:</b>	John Coyne, Director of Commercial and Procurement, Strategy, Equalities & Partnerships Directorate <a href="mailto:john.coyne@birmingham.gov.uk">john.coyne@birmingham.gov.uk</a>
<b>Authorised by:</b>	Richard Brooks, Director of Strategy, Equalities & Partnerships <a href="mailto:richard.brooks@birmingham.gov.uk">richard.brooks@birmingham.gov.uk</a>
<b>Is this a Key Decision?</b>	No
<b>If this is a Key Decision, is this decision listed on the Forward Plan?</b>	Not Applicable
<b>Reason(s) why not included on the Forward Plan:</b>	Not Applicable
<b>Is this a Late Report?</b>	No
<b>Reason(s) why Late:</b>	
<b>Is this decision eligible for 'call in?'</b>	Yes
<b>If not eligible, please provide reason(s):</b>	Not Applicable.
<b>Wards:</b>	All
<b>Does this report contain exempt or confidential information?</b>	No
<b>Has this decision been included on the Notification of Intention to consider Matters in Private?</b>	Not Applicable
<b>Reasons why not included on the Notification:</b>	Not Applicable

## **1 EXECUTIVE SUMMARY**

- 1.1 This report provides details of the planned procurement activity for the period November 2024 – January 2025 which are not key decisions made under Chief Officers' delegation during the previous quarter. Planned procurement activities reported previously are not repeated in this report.
- 1.2 The report enables Cabinet to identify whether any reports for procurement activities should be brought to this meeting for specific executive decision, otherwise they will be dealt with under Chief Officer delegations up to the value of £500,000, unless TUPE applies to current Council staff.

## **2 COMMISSIONERS' REVIEW**

- 2.1 The advantages of deploying Oracle Fusion is the opportunity to adopt further modules/functions as organisations develop and take advantage of the technical integration that "One system" offers. Moving forward Commissioners expect the Council to answer the question "Why not Oracle Fusion" each time it is considering a new system procurement/deployment. This strategic option must be considered for the IFRS16-Compliant Property Lease Accounting System procurement.

## **3 RECOMMENDATIONS**

### **That Cabinet:**

- 3.1 To approve the planned procurement activities and approve Chief Officer delegations, set out in the Constitution for the subsequent decisions around the procurement strategy for the following:
- IFRS16-Compliant Property Lease Accounting System
  - Boiler Replacement at Handsworth Wellbeing Centre

## **4 KEY INFORMATION**

### **Context**

- 4.1 In line with the Procurement and Contract Governance Rules that form part of the Council's Constitution, this report acts as the process to consult with and take soundings from Cabinet and the Corporate and Finance Overview and Scrutiny Chair.
- 4.2 This report sets out the planned procurement activity over the next few months where the contract value is between the procurement threshold £179,086.67 (excluding VAT) and £500,000 (excluding VAT) for non-key decisions. This will give members visibility of all procurement activity within these thresholds and the opportunity to identify whether any procurement reports should be brought to Cabinet for approval even though they are below the £10m delegation threshold.

- 4.3 It should be noted that the procurement threshold has changed from £177,897.50 to £179,086.67 (excluding VAT) and applies from 1st January 2024 for a period of 2 years.
- 4.4 Individual procurements may be referred to Cabinet for an executive decision at the request of Cabinet, a Cabinet Member or the Corporate and Finance Overview and Scrutiny Chair e where there are sensitivities or requirements that necessitate a decision being made by Cabinet.
- 4.5 Details of how the contracts support relevant Council policies, plans or strategies, Community Cohesion will be set out in the individual reports.

### **Proposal and Reasons for Recommendations**

- 4.6 To approve the planned procurement activities for all the projects listed in Appendix 1 and approve Chief Officer delegations as set out in the Constitution for the subsequent decisions around procurement strategy and contract awards. This will enable the commencement of the procurement activity for the award for of contracts which support the delivery of the Council's services.

### **Other Options Considered**

- 4.7 No other option was considered as the meeting of the Council on 12<sup>th</sup> July 2022 approved changes to the procurement governance which delegated authority to Chief Officers to approve award contracts up to the value of £500,000 for non-key decisions.

## **5 RISK MANAGEMENT**

- 5.1 Members should note that in respect of any procurement projects which are sought to be referred back to Cabinet for further considerations these may impact on timescales around the delivery of those projects.
- 5.2 Details of risk management for the procurement activity will be set out in the individual reports.

## **6 CONSULTATION**

- 6.1 This report to Cabinet is copied to Cabinet Members and Cabinet Support Officers and therefore is the process for consulting with relevant cabinet and scrutiny members. At the point of submitting this report Cabinet Members have not indicated that any of the planned procurement activity needs to be brought back to Cabinet for executive decision.
- 6.2 Approval has been sought from the relevant Spend Control Board prior to inclusion on the PPAR.

## **7 MEMBER ENGAGEMENT**

### **Ward Councillor(s)**

7.1 Not applicable

### **Overview and Scrutiny**

7.2 The Corporate and Finance Overview & Scrutiny Committee Chair has been consulted on the contents of this report and has not indicated that any of the planned procurement activity needs to be brought back to Cabinet for executive decision.

### **Other**

7.3 Not applicable.

## **8 IMPACT AND IMPLICATIONS**

### **Finance**

8.1 Specific details of how decisions will be carried out within existing finances and resources are set out in the Appendix 2.

8.2 Any cashable savings generated as a result of the procurement exercises are detailed in Appendix 2 to the delivery of procurement related savings and be removed from Directorate where identified in addition to the existing service area savings target as set out in the Medium-Term Financial Plan (MTFP) in line with the principles to treatment of identified savings against third party contracts as agreed by CLT on 24th January 2022.

### **Legal**

8.3 Members are reminded that as a Local Authority the Council has specific duties under public sector procurement, specifically the Public Contract Regulations 2015.

8.4 Section 1 of the Localism Act 2011 contains the City Council's general power of competence and Section 111 of the Local Government Act 1972 contains the Council's ancillary financial and expenditure powers in relation to the discharge of its functions.

### **Equalities**

8.5 Details of the Equality Act requirements will be set out in the individual reports which should also give consideration to application of Equality Impact Assessments in line with Council Policy.

### **Procurement**

8.6 As noted under the Legal Implications the Council has a duty to ensure that public sector procurement activity is in line with public sector legislation, specifically the Public Contracts Regulations 2015.

8.7 For each of the individual projects the specific procurement implications are set out and detailed in Appendix 2.

### **People Services**

8.8 There are no specific staffing implications with the recommendations of this report.

### **Climate Change, Nature and Net Zero**

8.9 For each of the individual projects the climate change, nature and net zero implications are set out and detailed in Appendix 2.

### **Corporate Parenting**

8.10 There are no implications or opportunities in relation to the Corporate Parenting responsibility arising from the recommendations in this report.

### **Other**

8.11 There are no other implications arising from the recommendations in this report.

## **9 APPENDICES**

9.1 Appendix 1 - Planned Procurement Activity November 2024 – January 2025.

9.2 Appendix 2 – Background Briefing Papers

## **10 BACKGROUND PAPERS**

10.1 Not applicable.

**APPENDIX 1 – PLANNED PROCUREMENT ACTIVITIES (NOVEMBER 2024 – JANUARY 2025)**

No.	Type of Report	Title of Procurement	Ref	Brief Description	Contract Duration	Directorate	Portfolio	Finance Officer	Contact Name	Planned CO Decision Date
1	Strategy / Award	IFRS16-Compliant Property Lease Accounting System	TBC	IFRS16 is a new accounting standard that local authorities must comply with and will involve changing how leases are accounted for and reported in statutory financial statements. This new standard takes effect from 1 April 2024 (first reporting of this will be the 2024/25 Accounts produced in April / May 2025). The current lease accounting / reporting system, Real Asset Management (RAM) Lease 4000 does not meet IFRS16 requirements. Therefore, to ensure compliance and to support robust information management going forward, the Council is seeking to procure a new IFRS compliant Leasing system to allow Council Finance Officers to manage and report on all leased assets for the Council. The new Leasing system should comply with CIPFA's Code of Practice which interprets the application of IFRS16 for local authorities. It should also include system tool(s) not limited to AI to enable effective interrogation of detailed lease/ contracts and effortless reporting.	4 years	Finance and Governance	Finance	Ravinder Dhaliwal	Mohammed Sajid / Ianto Jones	28/10/2024
2	Strategy / Award	Boiler Replacement at Handsworth Wellbeing Centre		The removal of the existing boiler and the installation of a replacement at Handsworth Wellbeing Centre.	14 weeks	City Operations	Health and Social Care	Rita Bacheta	Paul Walls / Jessica Brittle	18/11/2024

## APPENDIX 2

### BRIEFING NOTE ON PLANNED PROCUREMENT ACTIVITIES CABINET – 15<sup>th</sup> OCTOBER 2024

<b>Title of Contract</b>	<b>IFRS16-Compliant Property Lease Accounting System</b>
<b>Contact Officers</b>	<b>Director / Assistant Director:</b> Mohammed Sajid, Interim Head of Financial Strategy <b>Client Officer:</b> Ceri Johns, Final Accounts Team <b>Procurement Officer:</b> Ianto Jones, IT Commissioning Manager
<b>Relevant Portfolio</b>	<b>Councillor Karen McCarthy - Cabinet Member for Finance</b>
Briefly describe the service required	IFRS16 is a new accounting standard that local authorities must comply with and will involve changing how leases are accounted for and reported in statutory financial statements. This new standard takes effect from 1 April 2024 (first reporting of this will be the 2024/25 Accounts produced in April / May 2025). The current lease accounting / reporting system, Real Asset Management (RAM) Lease 4000 does not meet IFRS16 requirements. Therefore, to ensure compliance and to support robust information management going forward, the Council is seeking to procure a new IFRS compliant Leasing system to allow Council Finance Officers to manage and report on all leased assets for the Council. The new Leasing system should comply with CIPFA's Code of Practice which interprets the application of IFRS16 for local authorities. It should also include system tool(s) not limited to AI to enable effective interrogation of detailed lease/ contracts and effortless reporting.
What is the proposed procurement route?	The route to market will be a full evaluation of eligible suppliers via a collaborative, compliant National Framework Agreement.
What are the existing arrangements? Is there an existing contract? If so when does that expire?	The current system for Property Lease Management is provided by MRI Software Ltd. This was designed pre-IFRS 16 and it is no longer compliant. The existing RAMs Solution will be partially retired following the introduction of an IFRS16-compliant solution.
Will any savings be generated?	No cashable savings will be generated by this project, but the current cost for RAM Lease 4000 System of £9,941 per annum will partially offset the cost of the new system. It is intended that the new solution will incorporate Artificial Intelligence and machine learning to reduce the current need for manual reading and analysis of Lease data. This is currently undertaken by a number of finance officers as part of their workload.
Has the In-House Preferred Test been carried out?	Digital & Technology Services have been engaged and have concluded that due to the new IFRS16 Accounting standard requirement, there is no suitable In-House product available.
How will this service assist with the Council's commitments to Route to Zero?	AI will facilitate paperless leases.
How do these activities assist the Council with Everybody's Battle; Everybody's Business?	The Procurement process will ensure that potential suppliers and subcontractors adhere to the Birmingham Living Wage.
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	There is a statutory requirement from 1 <sup>st</sup> April 2024 for IFRS compliant reporting.
Approval via Spend Control Board.	Spending Control Board approval was obtained on 18 <sup>th</sup> September 2024 - ID: 9386.
What budget is the funding from for this service?	This is funded from the Finance Directorate General Fund budget.
Estimated value of project (note: value estimated at time of submission of PPAR, this may change at time of	Estimate contract range between £240k and £300k over 4 years including implementation cost, lease system annual licence and contract intelligence for 200 leases.

advancing any related procurement activity)	
Proposed start date and duration of the new contract	The proposed start date is November 2024 for a period of 4 years.

<b>Title of Contract</b>	<b>Boiler Replacement at Handsworth Wellbeing Centre</b>
<b>Contact Officers</b>	<b>Director / Assistant Director:</b> Chris Jordan, Assistant Director, Neighbourhoods <b>Client Officer:</b> Paul Walls, Senior Sports Manager (Contracts) <b>Procurement Officer:</b> Jessica Brittle, Procurement Manager
<b>Relevant Portfolio</b>	<b>Councillor Mariam Khan – Cabinet Member for Health and Social Care</b>
Briefly describe the service required.	The removal of the existing boiler and the installation of a replacement at Handsworth Wellbeing Centre.
What is the proposed procurement route?	A direct award using the NHS SBS Facilities Management Framework Agreement to Dodd Group (Midlands) Ltd. This organisation has undertaken similar works on behalf of the Council using this framework agreement with market tested rates.
What are the existing arrangements? Is there an existing contract? If so when does that expire?	This is a one-off requirement.
Will any savings be generated?	No savings will be generated from this procurement process for a one-off works project.
Has the In-House Preferred Test been carried out?	Yes, and the test demonstrated this is not suitable to be carried out in-house for a construction project.
How will this service assist with the Council's commitments to Route to Zero?	The works will be undertaken using the most up-to-date sustainable materials and the new boiler is to the latest environmental standard. Installing a new boiler will reduce energy consumption and costs with reduced maintenance.
How do these activities assist the Council with Everybody's Battle; Everybody's Business?	The works will ensure the building is up to date for continuity of use to all sections of the community.
Is the Council under a statutory duty to provide this service? If not, what is the justification for providing it?	There is not a statutory duty to provide this service. However, the works supports the provision of heating and hot water in a community facility.
Approval via Spend Control Board.	Authorisation was obtained from the Section S151 Spend Board on 29 <sup>th</sup> February 2024 and 24 <sup>th</sup> September 2024.
Estimated value of project (note: value estimated at time of submission of PPAR, this may change at time of advancing any related procurement activity)	The estimated value of the contract is £295,000.
What budget is the funding from for this service?	The works are funded entirely by external grant monies - £250,000 from Swimming Pool Support Fund (already approved) and £88,643 from Shared Prosperity Fund.
Proposed start date and duration of the new contract	The proposed start date is November 2024 for a period of 14 weeks.