

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date:** 12 March 2018

**Report of:** Head of Finance and Audit and Head of Democratic Services

**Subject:** REVIEW OF CONTRACT PROCEDURE RULES AND FINANCIAL  
REGULATION 15 - CONTRACTS & PROCUREMENT  
PROCEDURES

#### **SUMMARY**

This report provides an update on the review of Contract Procedure Rules and Financial Regulation 15 – Contract and Procurement Procedures. This work follows a Vanguard intervention review on procurement procedures.

#### **RECOMMENDATION**

It is recommended that the Audit and Governance Committee:

- (a) notes the update on the review of Contract Procedure Rules currently underway; and
- (b) considers if the approach to amending the Contract Procedure Rules is appropriate.

## INTRODUCTION

1. Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs.
2. Work has been carried out in recent years to streamline the regulations down to the key rules that are necessary for the Council to adequately manage its financial affairs. There is one regulation left to update which is Financial Regulation 15 – Contracts and Procurement Procedures. This sets out the Council's rules in relation to purchases under £20,000. Purchases over £20,000 are governed by the Contract Procedure Rules.
3. The Head of Democratic Services and the Procurement Manager gave a detailed presentation to the Audit & Governance Committee on 27 November 2017 about the work being carried out to improve the Council's procurement process using the Vanguard method. Draft buying principles were presented for comment and the Committee was advised that this review would inform work to revise the Council's Contract Procedure Rules, and Financial Regulation 15.
4. This report provides an update on this review and the approach being taken to revise the Council's rules around its procurement procedures.

## PROCUREMENT PRINCIPLES

5. An outcome of the Vanguard review was to create a set of Buying Principles which would provide clear thinking for officers to check their reasons before beginning a purchasing process.
6. In designing the perfect system flow, it was identified that the key elements to take into account should be that it:
  - makes it easy for teams to access the supplies/goods/services they need to serve their customers, and does not create undue delays or waste work; and
  - demonstrates that we have achieved the best value for money out of taxpayers funds, in the buying decisions we've made; and
  - encourages (and certainly does not detract from), small businesses being part of the Council's supply chain.
7. The aim is to avoid the focus being purely on cost which can often drive the procurement process, cause unnecessary delays and restrict the route to market and instead move towards a focus on supporting customer satisfaction and achieving the best value for money (not necessarily the cheapest).
8. The following table contains the draft Procurement Principles which were considered by the Committee at its meeting on 27 November:

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|--|
| <ol style="list-style-type: none"><li>1. Be clear about what you want and why you need it<ul style="list-style-type: none"><li>• How will the purchase benefit your customers?</li><li>• Do you know what you want?</li><li>• Do you know the market?</li><li>• Is this the best deal for the Council?</li></ul></li></ol> |
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<ul style="list-style-type: none"> <li>• Can you afford it within your budget?</li> <li>• Is this the best solution or is there another way to achieve the desired outcome?</li> </ul>
<p>2. Be able to justify your thinking to the person on the street who pays council tax</p> <ul style="list-style-type: none"> <li>• Treat the spend as if it is your own money</li> <li>• Be ready to assist in evidencing the thinking/rational for your approach</li> <li>• Comply with the Council's Anti-Bribery Policy <ul style="list-style-type: none"> <li>○ and know that you can rely upon it</li> </ul> </li> </ul>
<p>3. Pull in the Experts early</p> <ul style="list-style-type: none"> <li>• Have early conversations with the procurement team and your Finance Business Partner to help agree the right approach</li> <li>• Ask for and accept critical friend challenge</li> <li>• Be ready to answer: do you know your market, do you have the money, how does this spend help your customer or internal stakeholder, is this spend the most economical way to achieve that outcome?</li> </ul>
<p>4. Anything over OJEU limit = must go out tender (non negotiable)</p> <ul style="list-style-type: none"> <li>• Heads of Service to authorise orders and invoices over this value</li> <li>• Need mechanism to tell people what the limit is when it changes - HoS and FBPs told - also SID page with thresholds</li> <li>• Advertise on Contracts Finder and other means</li> </ul>
<p>5. Get the best deal for the Council you can</p> <ul style="list-style-type: none"> <li>• It's not always the cheapest!</li> <li>• What does good look like when you're buying something?</li> <li>• Consider service implications and quality</li> <li>• Take into consideration whole life costs</li> <li>• This Council encourages negotiation with preferred suppliers, where relevant and when permissible (not if OJEU restricted or open route)</li> </ul>
<p>6. Engage with local SMEs (principles of FSB Engagement Accord)</p> <ul style="list-style-type: none"> <li>• Don't close the door on local SME businesses – help them to work with us</li> <li>• Meet the buyer events</li> </ul>
<p>7. Buyer beware</p> <ul style="list-style-type: none"> <li>• Remember the risk is on the buyer</li> <li>• Checks on the supplier need to be carried out – supply vetting</li> </ul>

## REVIEW OF CONTRACT PROCEDURE RULES

9. Following on from the draft Procurement Principles, it was identified that the next step would be to review the Contract Procedure Rules (CPRs) and Financial Regulation 15: Contract and Procurement Procedures.

10. Work has begun to review CPRs, utilising the following questions as guidance:

- Is the current CPR clear in what it is saying?

- Is that what we are currently doing?
- Does the current rule cause blockages in the process?
- Does the current rule work with the new Procurement Principles?
- Are there extra rules needed?

11. The table at Appendix A to this report shows the log we are using for the review of each CPR and records the work carried out at the time of this report. The table shows any proposed amended or new wording along with a record if the CPR will be kept, lost or changed and a note to show why this has been considered. At the end of the document we are adding new rules that we consider need to be incorporated into the finished document to meet the requirements of the new Procurement Principles.
12. Members of the Committee are invited to review this approach and to raise any questions about this method of review and to make alternative suggestions where appropriate.
13. Once the review of the CPRs is complete, the next stage will be to consider if Financial Regulation 15: Contract and Procurement Procedures could be merged with CPRs or amended to reflect the Procurement Principles.
14. Furthermore, the purpose and content of the Procurement Threshold Table will also require a review following on from this work.

## **RISK ASSESSMENT**

15. There are no significant risk considerations in relation to this report

## **CONCLUSION**

16. The Audit and Governance Committee is asked to note the update on the review of Contract Procedure Rules currently underway; review the draft amendments and considers if the approach to amending the Contract Procedure Rules is appropriate.

**Background Papers:** None

## **Reference Papers:**

Fareham Borough Council Constitution and Contract Procedure Rules

## **Enquiries:**

For further information on this report please contact Elaine Hammell (Ext 4344) or Leigh Usher (Ext 4553)