

# FAREHAM

## BOROUGH COUNCIL

### Report to Council

11 October 2018

Subject: **PROCUREMENT AND CONTRACT PROCEDURE RULES**

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

#### SUMMARY

This report provides the details of the Vanguard Intervention review of Procurement, focussing on buying activities in excess of £20,000, and the subsequent review of Contract Procedure Rules (CPRs) and Financial Regulation 15 – Contracts and Procurement Procedures (FR15).

Following a review by the Audit and Governance Committee, the Council is asked to approve the proposed Procurement and Contract Procedure Rules policy document which combines the previous CPRs and FR15 and incorporates the Procurement Guiding Principles.

#### RECOMMENDATION

It is recommended that the Council:

- (a) approves and adopts the Procurement and Contract Procedure Rules policy document, as attached at Appendix B; and
- (b) approves that the budget expenditure authorisation limits in Financial Regulation 4 are changed to match the limits for awarding and signing contracts in the new Procurement and Contract Procedure Rules, as outlined in Appendix A.

## **INTRODUCTION**

1. The Head of Democratic Services and the Procurement Manager gave a detailed presentation to the Audit and 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.
2. A further update report was presented to the Committee on 12 March 2018 at which the agreement was given on the approach to the review of the governing procurement rules.
3. This report provides an update on the conclusion of the Vanguard review and recommends the adoption of the new policy that had been drafted to meet the Buying Principles.

## **PROCUREMENT PRINCIPLES**

4. 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.
5. 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.
6. 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).
7. The following Procurement Principles were agreed by the Audit and Governance Committee at its meeting on 27 November:

- |  |
|--|
| <ol style="list-style-type: none"><li>1. Be clear about what you want and why you need it</li><li>2. Be able to justify your thinking to the person on the street who pays council tax</li><li>3. Pull in the Experts early</li><li>4. Anything over OJEU limit = must go out tender (non-negotiable)</li><li>5. Get the best deal for the Council you can</li><li>6. Engage with local SMEs (principles of FSB Engagement Accord)</li><li>7. Buyer beware</li></ol> |
|--|

## **REVIEW OF EXISTING RULES**

8. Having agreed the thinking methodology via the Procurement Principles, the focus of the review work shifted towards the review of the Contract Procedure Rules (CPRs), Financial Regulation 15: Contract and Procurement Procedures and the Procurement Sourcing and Threshold Table.
9. The existing policies were reviewed and for each rule the new buying principles were used as a guide to determine whether to keep, change or delete the rule along with considering if a new rule needed to be created.
10. The Audit and Governance Committee endorsed this approach at its meeting on 12 March 2018 and work began to create a single document which would merge CPRs, Financial Regulation 15 and the Procurement Threshold Table.

## **PROCUREMENT AND CONTRACT PROCEDURE RULES (PCPR)**

11. The Procurement and Contract Procedure Rules policy document, as attached at Appendix B, for approval.
12. The objective of the new policy is to bring about the following key changes:
  - to encourage positive behaviour when purchasing;
  - to have fewer thresholds and prescribed actions;
  - to introduce added safeguards; and
  - to reduce the need for waivers to be requested.
13. The single document is intended to provide guidance and options to officers undertaking buying activities whilst ensuring compliance where necessary.

## **FINANCIAL REGULATION 4 – AUTHORISATION LIMITS**

14. One of the aims of our review of Council policies is to keep any limits consistent and easy to remember, and therefore less likely to be breached in error. It is therefore recommended that the Council limits for authorising expenditure is changed to match the limits for awarding and signing contracts proposed in the new Procurement and Contract Procedure Rules.
15. The changes that would be needed in Financial Regulation 4 are summarised in Appendix A.

## **RISK ASSESSMENT**

16. The new Rules are moving towards encouraging positive behaviours rather than being prescriptive in what buyers do for their level of spend. This does give employees more flexibility in their procurement decisions but the Rules are underpinned with the requirement that employees must be able to justify all spend in terms of achieving a good deal for the customer and the Council. There are also added safeguards added to the policy to increase transparency of the spending decisions that are being made.

## **CONCLUSION**

17. The Council is asked to approve the new Procurement and Contract Procedure Rules policy document which combines the previous CPRs and FR15 and incorporates the Procurement Guiding Principles.
18. The Council is asked to:
  - (a) approve and adopt the Procurement and Contract Procedure Rules policy document, as attached at Appendix B; and
  - (b) approve that the budget expenditure authorisation limits in Financial Regulation 4 are changed to match the limits for awarding and signing contracts in the new Procurement and Contract Procedure Rules, as outlined in Appendix A.

### **Background Papers:**

Draft versions of Procurement and Contract Procedure Rules policy document  
Vanguard Review file

### **Reference Papers:**

Fareham Borough Council Constitution and Current Contract Procedure Rules (2013)

### **Enquiries:**

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

## Proposed Changes to Financial Regulation 4 – Authorisation Limits

	What can be authorised	Additional Rules	Level 1 Chief Executive Officer or Director	Level 2 Head of Service	Level 3 Other staff nominated by their Head of Service or Director
Current Limits	<p><b>Budget Expenditure</b></p> <p>Electronic authorisation of orders / instructions on efinancials, Orchard or Technology Forge</p>	<p>Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation.</p> <p>Any non-cheque payment over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser.</p> <p>Any payment over £1,000,000 must have been approved by the Statutory Chief Finance Officer.</p>	<b>£1,500,000</b>	<b>£75,000</b>	<b>£10,000</b>
Proposed Limits	Manual authorisation of order forms, invoices or payment vouchers/certificate	<p>Any payment over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser.</p> <p>Any payment over £1,000,000 must have been approved by the Statutory Chief Finance Officer</p>	No limit	<b>£100,000</b>	<b>£10,000</b>