



Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
AUDIT COMMITTEE
CABINET

2nd APRIL, 2008
21ST APRIL, 2008

CORPORATE CONTRACT MANAGEMENT AND PROCUREMENT IMPROVEMENT PLAN

REPORT OF THE DIRECTOR OF RESOURCES

1. PURPOSE AND SUMMARY

To enable Audit Committee and Cabinet to monitor implementation of the Improvement Plan shown attached as **Appendix 1**; for Cabinet to review its Scheme of Delegation and to reserve to itself decisions to enter into contracts above a prescribed financial threshold; and to consider training and information needs for Elected Members.

2. RECOMMENDATIONS

Audit Committee and Cabinet are recommended to review implementation of the attached Improvement Plan;

Audit Committee is recommended to consider options for the setting of a financial threshold for reserving to Cabinet decisions to enter into contracts and to make recommendations to Cabinet.

Cabinet is also recommended to set a financial threshold above which any decision to enter into a contract must be approved by Cabinet; and consider training and information needs for Elected Members.

3. REPORT

Attached, shown as **Appendix 1**, is the Corporate Management and Procurement Improvement Plan which was initiated by Corporate Directors' Board in June, 2007, designed to address the concerns identified during the course of the District Auditor's audit of major housing repairs and improvement contracts. Subsequently the District Auditor published a Public Interest Report further to Section 8 of the Audit Commission Act, 1998 and the attached Improvement Plan has been developed with a view to ensuring that all the District Auditor's recommendations are addressed. The Plan was approved by Cabinet in July, 2007 and finally by Council on 24th January, 2008, following a review by Audit Committee on 17th January.

Views of Audit Committee

Audit Committee requested that it monitor implementation of the Improvement Plan to its completion. This was agreed by Council and further progress reports will be presented to Audit Committee in June and December, 2008.

Audit Committee supported the idea that Cabinet require contracts over a prescribed threshold to be approved at Cabinet level, and asked that Audit Committee be consulted regarding the threshold before being fixed by Cabinet.

Audit Committee also supported the proposal that departments be required to produce annual procurement plans and asked that these be scrutinised by Audit Committee before finalisation and approval by Cabinet.

Progress and implementation

A corporate inter-departmental group of officers has been established and is overseeing implementation. Group members are listed in the consultation section below. The attached Improvement Plan reflects the position following a review by Corporate Directors' Board on the 19th February and the Corporate Contract Management & Improvement Group on 20th February.

The improvement strategy has the following themes:

- Tightening control
- Training and accreditation
- Improving guidance and rules
- Improving management systems
- Improving the contracts register system
- Audit

Review of Cabinet's Scheme of Delegation

The DA's strategic recommendations include a requirement that members should have a more active oversight of the procurement process to ensure officers are held to account. They should:

- Approve annual procurement plans for services.
- Give final approval to entering into major contracts.
- Be involved in decisions about the procurement policy and the developing framework of procurement methodologies.
- Receive reports on: value achieved; compliance with contract procedures / statutory requirements and the effectiveness of internal control.

Cabinet can review and change its Scheme of Delegation and prescribe a financial threshold above which any decision to enter into a contract must be approved by Cabinet. Obviously the lower the financial threshold, the greater the need for Cabinet to receive and consider formal reports.

In response to the District Auditor’s recommendations a system has already been introduced whereby Corporate Directors must consult the relevant Cabinet Lead before entering into any revenue contract where the value is £100,000 or more. A proforma has been prepared for Corporate Directors and Cabinet Leads to use, to enable them to have sufficient information for this purpose. These decisions are being reviewed by Cabinet and Performance and Value for Money Select Committee every quarter. However, it is proposed that member oversight of the procurement process be further strengthened by replacing the need to consult with a requirement that contracts over a prescribed financial threshold must have Cabinet approval.

It is recommended that Cabinet change its Scheme of Delegation to provide that all contracts over the EU financial threshold be reserved to Cabinet for decision. The current EU thresholds are £139,893 for supplies and services and £3,497,313 for works. This would provide Cabinet with sufficient control, but avoid cluttering up its agenda with too many reports (probably apx about 30 per annum) and have the added benefit of enhancing corporate management, oversight and control of compliance with EU procurement requirements.

Information and training for Elected Members

To enable elected members to play a more active role in contract management and procurement, information and training will be provided via the Member Development Programme, being worked up by the Member Development Forum. Individual members are also being consulted e.g. Cllr. Coley as Chair of the Performance and Value for Money Select Committee. Members’ views are requested.

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

The report is concerned with the strengthening of contract management and procurement controls. This needs to be reflected in the rules of procedure within the Council’s constitution and, in particular, the Council’s Finance Procedure Rules. These rules are reviewed on a regular basis, and the recommendations within the report and the improvement plan will be incorporated as part of the next such review. This will take place as soon as is practicable.

5.2 Legal Implications

These are covered in the report.

5. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	Yes		
Policy	Yes		
Sustainable and Environmental	Yes		
Crime and Disorder			
Human Rights Act			

6. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

The District Auditor's Public Interest Report under Section 8 of the Audit Commission Act, 1998, issued in December, 2007.

7. CONSULTATIONS

Geoff Organ, Head of Corporate Procurement, Support and Income Services, Resources
Adam Archer, Special Projects Manager, Chief Executives
Colin Sharpe, Head of Finance, Children and Young People Services
Martin Judson, Head of Resources, R&C
Mukund Kumar, Assistant Audit Manager, Resources
Pradeep Gadhok, Service Manager, Contracting and Procurement Unit, Adults and Housing
Ian Cooper, Contracts Officer, Adults and Housing
Rebecca Jenkyn, Team Leader / Senior Solicitor, Legal Services
Trevor Croote, DA representative
Corporate Directors
Chief Executive
Strategic Resources Group

8. REPORT AUTHOR

Peter Nicholls, Service Director – Legal Services, x6302

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)

Appendix 1

CONTRACT MANAGEMENT AND PROCUREMENT IMPROVEMENT PLAN

(Updated by the Corporate Improvement Group on the 20th February, 2008)

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
TIGHTENING CONTROL				
1	Review the number of officers who are authorised to purchase on behalf of the Authority, to reduce this to a manageable number which can be easily audited. Authorised officers are to be limited to those people who must purchase to enable them to perform their job. They must be adequately trained and the scope of their authorisation needs to be clear.	Service Directors Co-ordinated by Service Director – Legal Services	1 June, 2007	All Departments have created an Authorised Officer List. The completed lists have been loaded onto Insite to enable Corporate-wide access and monitoring. Complete.
2	Assurance must be given that the current list of authorised officers is complete and up to date.	Service Directors. Co-ordinated by Service Director – Legal Services	1 August, 2007	Complete. (Subject to clarifying assurances received from some Service Directors).
3	The list of authorised officers must be kept up to date and monitored annually.	Corporate Directors, Co-ordinated by Geoff Organ	Ongoing	Complete. Nominated Officers in each Department will ensure that the information is kept up to date.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
4	Ensure compliance with Contract Procedure Rules in respect of notification and safekeeping of contracts handled within departments (i.e. contracts in a standard form approved by Legal Services, up to the upper threshold value for a small contract (currently £35,000).	Service Directors. Co-ordinated by Geoff Organ	1 June, 2007	Complete. (Assurances received from some Service Directors need clarification).
5	An annual assurance to be given that authorised officer lists are up to date and that adequate systems are in place to ensure Service Directors are complying with procedures for entering into contracts up to £35,000.	Corporate Directors. Co-ordinated by Geoff Organ.	Annually,	Complete.
6	This assurance must also confirm that adequate insurance arrangements are in place throughout contract terms	Corporate Directors	December	Complete.
TRAINING AND ACCREDITATION				
7	Ensure that an appropriate corporate training programme for authorised officers is available.	Head of Corporate Support, Procurement and Income Services	30 June, 2007	The programme is written and is available and is now being delivered.
8	Make available a corporate training programme leading to accreditation that officers authorised to procure have been trained to sufficient standards.	Director of Resources	September, 2007	Accreditation not yet available, see (7), (9) and (10) but the revised target date i.e. December, 2008 is achievable.
9	Make available an on-line corporate training programme.	Head of Corporate Support, Procurement and Income Services	December, 2007	Now that the new Toolkit is finalised, on-line training will be introduced by December, 2008.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
10	Comply with the requirement that all new authorised officers must be accredited.	Service Directors.	March 2008	This will require a new training contract, currently open to competition. March deadline.
11	Ensure that all authorised officers are accredited (accredited training or equivalent)	Service Directors	December 2008	Achievable.
12	Training for elected members is also being proposed and each political group is being asked to nominate a lead member who can develop a special interest in this field.	Town Clerk in consultation with Group Whips.	January 2008	Training will be delivered via the Member Development Programme, being worked up by the Member Development Forum. There is also consultation with groups and individual members to ensure the programme suits members' needs and interests. This is relevant to Scrutiny Members as well as Cabinet Members
IMPROVING GUIDANCE AND RULES				
13	Review and improve the Council's Procurement Toolkit to clarify responsibilities and mandatory requirements, also to ensure the Toolkit is user friendly and easy to access e.g. by use of hyperlinks to Contract Procedure Rules etc.	Head of Corporate Support, Procurement and Income Services	September 2007	The revised Toolkit is now available.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
14	Production of consolidated guidance on procurement processes which makes responsibilities clear, also includes adequate checks and challenges at each stage. Guidance / procedures will provide for officer intervention to ensure any non-compliance is regulated and resolved.	Head of Corporate Support, Procurement and Income Services and Service Director – Legal Services.	September, 2007	A new web-based toolkit has been introduced. Contract Procedure Rules (CPRs) are undergoing a complete review, also to incorporate important changes to EU law; to be complete and available by the end of March.
15	When Service Directors authorise Legal Services to process and enter into contracts they must also attach a financial evaluation. There must be justification for any proposal to enter into a contract in excess of the evaluated limit and there must be a statement that the authorised officer has considered the impact of the contract on total exposure to the same contractor.	Service Directors	January, 2008	A system is now in place, but needs to be tested – by end of March.
16	Systems will also be established to enable regular review of revenue contracts over a specified threshold (currently £100,000) by Cabinet and the Procurement and Value for Money Select Committee.	Director of Resources	December, 2007	Complete.
17	Departments must produce an annual procurement plan to be reviewed by Scrutiny and approved by Cabinet.	Corporate Directors with support from Geoff Organ who has agreed to produce initial draft plans based on the corporate information available.	April 2008 for 08/09	Head of Corporate Procurement, Support and Income Services has issued drafts to all departments requiring a response by 29 th February to enable reports to Scrutiny/Cabinet. Cabinet approval in April is achievable.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
18	Further review Contract Procedure Rules to meet current corporate and legal requirements, to clarify responsibilities and mandatory requirements and to ensure that the rules are easily accessed and understood by authorised purchasers.	Head of Corporate Support, Procurement and Income Services and Service Director – Legal Services	December 2007	This work is scheduled to achieve a revised version of the rules by the end of March, 2008.
IMPROVING MANAGEMENT SYSTEMS				
19	Introduce an effective Council wide procurement system as part of a new Resource Management System (RMS).	Chief Finance Officer	April 2008	Project has slipped to April, 2009
IMPROVING THE CONTRACTS REGISTER SYSTEM				
20	Enhance the existing contracts register system in order to: <ul style="list-style-type: none"> - Minimise scope for contracts to be omitted. - Provide a long stop control over potential overruns. 	Chief Finance Officer	August 2007	Complete.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
AUDIT				
21	Review authorised officer database to ensure that it is up to date.	Head of Audit and Governance	October 2007	Complete. The original brief was to create a list of officers authorised to purchase on behalf of the Authority: this has been produced. The Audit report includes observations about some of the departments' returns; there is a recommendation that this list be expanded to include officers authorised to make payments. Further action is being planned.
22	Audit compliance with new Toolkit and new Contract Procedure rules.	Head of Audit and Governance	April 2008	This is included in the Audit Plan - April, 2008.