



Leicester  
City Council

**WARDS AFFECTED**  
All

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**  
Audit & Risk Committee

**29 September 2014**

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## **PROPOSED CHANGES TO THE CONTRACT PROCEDURE RULES AND FINANCE PROCEDURE RULES**

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### **Report of the Director of Finance**

#### **1. Purpose of Report**

- 1.1. To inform the Committee of proposed changes to the Contract Procedures Rules (CPR) and Finance Procedure Rules (FPR).

#### **2. Recommendations**

- 2.1. The Committee is asked to consider the new CPR and changes to the FPR and make any comments to Officers and/or Full Council.

#### **3. Summary**

- 3.1. The CPR are a legal requirement for the Council and set out the rules and processes which must be followed when entering into contracts for the purchase/hire of goods, disposal of assets and purchase of works and services.
- 3.2. Over the past year, a number of changes to council policy, procurement legislation and the Council's procurement structure have taken place which mean the rules need to be updated. Additionally a general need to update the CPR to address issues and improve procurement processes has been identified.
- 3.3. New CPR have been drafted with consultation with senior management and relevant service areas across the Council, including Finance, Legal and Internal Audit. These are attached as Appendix 1. It is proposed to present these to Full Council for approval on 13<sup>th</sup> November 2014, although timescales may change if there are delays to the new procurement legislation coming into force.
- 3.4. To ensure consistency between the Council's rules and the law, it is anticipated that the new CPR will take effect from the same date as the new Public Contract Regulations (the UK law which implement the EU Directive referred to above). This date has not yet been set, but is expected to be before the end of the current financial year.
- 3.5. As part of this process it was identified that there was some cross-over between the CPR and FPR and therefore changes to the section 3 of the FPR would be needed to ensure there was no contradiction between the two sets of Rules. It is also proposed to

amend the rule which effectively prevents payment in advance to contractors, as this is often justified, particularly when working with SMEs and VCOs. These proposed changes are set out at Appendix 2.

#### **4. Report**

##### **4.1. The key changes from the current rules:**

- a) Requirement to source low value contracts locally where possible and ensure quotes are sought from local companies where the opportunity is not advertised;
- b) Change in processes to reflect the existing 'PAN' process ("Advertised Quotation") which has maximised the number of low value opportunities made available to local business via Source Leicestershire;
- c) Thresholds changed so current £2.5k threshold is changed to £10k; giving greater flexibility of process compared to current policy for contracts between £1k and £10k, whilst maintaining the recent strategy of advertising these contracts wherever possible;
- d) The current requirement to follow a full tender procedure for contracts over £30k is lifted to £75k to make procurement easier, and allow greater flexibility in how procurement processes are customised to the supply market to ensure they are accessible for local SMEs and VCOs;
- e) New higher thresholds for works contracts to align with the higher EU thresholds for works;
- f) Removal of the network of Approved Procuring Officers which is replaced by reference to Specialist Procurement Teams and the new Procuring Officer, who will in most cases be somebody within one of those teams, as is already current policy;
- g) To reflect this centralisation, a lot more of the approvals are required from the Head of Procurement/City Barrister rather than Divisional Directors; however a procurement process cannot start or be awarded without the approval of the service area;
- h) Updated to reflect new legislation/policy and remove some of the inconsistencies;
- i) Greater flexibility in relation to clarifying/negotiating with bidders to encourage a more commercial approach;
- j) Rules focus on what must be done with guidance to be developed on what should be done
- k) Addition of Appendix 2 to allow the rules to be applied to schools more practically.

#### **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

##### **5.1. Financial Implications**

There are no significant direct financial implications from changing these rules. It is anticipated that the resource required to conduct the processes set out is already in place in the council's procurement teams. The rules are aimed at ensuring procurement activity derives best value and maximum economic benefit for Leicester

##### **5.2. Legal Implications**

Legal Services have been consulted in drafting the new Rules and their comments considered at each new draft. The Rules have been drafted to ensure the Council

complies with current and forthcoming legislation in terms of procurement and to protect the Council from legal challenge when conducting procurement activity.

## 6. Other Implications

<b>OTHER IMPLICATIONS</b>	<b>YES/ NO</b>	<b>Paragraph/References within the Report</b>
Equal Opportunities	Yes	Procurement has the potential to impact on all of these implications, and the guidance which is being developed to accompany these Rules will detail how this should be done. The centralisation of procurement activity to a fewer number of professionals will help ensure this is done in a consistent and proportionate manner.
Policy	Yes	
Sustainable and Environmental	Yes	
Crime and Disorder	Yes	
Human Rights Act	Yes	
Elderly/People on Low Income	Yes	
Corporate Parenting	Yes	
Health Inequalities Impact	Yes	
Risk Management	Yes	Risk Management and Internal Audit have been consulted when developing these new procedures which have been drafted to provide appropriate controls to risks that occur during all procurement processes. The Rules sit alongside the Council's Risk Management Strategy and Policy.

## 7. Consultations

7.1. See paragraph 3.3 above.

## 8. Report Author

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