

# REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

16<sup>th</sup> January 2018

## UPDATED CONTRACT AND FINANCIAL PROCEDURE RULES

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

### 1. SUMMARY OF PROPOSALS

- 1.1 To present the contract and financial procedure rules which have been reviewed and updated using best practice templates. The contract procedure rules provide clarity on roles, responsibilities and limits. The financial procedure rules provide certainty on what is permitted and form a key part of the Council's internal control framework.

### 2. RECOMMENDATIONS

The Executive Committee is asked to **RECOMMEND** to Council that

**the updated contract and financial procedure rules, which will then apply from 29<sup>th</sup> January 2018, be approved.**

### 3. KEY ISSUES

#### **Contract Procedure Rules**

- 3.1 The contract procedure rules are provided at Appendix 1. The rules define the roles, responsibilities and limits which must be followed by the Council.
- 3.2 The procurement limits are summarised on page 3 of Appendix 1 and provided in more detail on page 14. In summary they require:-

<b>Total value</b>	<b>Award procedure</b>
<b>£0.01- £3,000</b>	There must be evidence of competitive enquiries being undertaken with details of final selection criteria recorded and retained for one year from date of purchase (this can be in electronic form e.g. email)
<b>£3,000- £25,000</b>	At least 3 written quotations
<b>£25,000- £50,000</b>	<i>Invitation to quote</i> by advertisement
<b>£50,000 – EU threshold*</b>	<i>Invitation to tender</i> by advertisement
<b>Above EU threshold*</b>	<i>EU procedure</i> or where this does not apply, <i>invitation to tender</i> by advertisement

- 3.3 The European Union thresholds are currently £164,176 for supplies and services and £4,104,394 for works contracts. The majority of the Council contracts are supplies and services. The rules will apply the latest EU thresholds as they are updated.
- 3.4 The £3,000 limit for requiring three written quotes is intentionally low to force the discipline on the majority of the Council transactions.
- 3.5 Also in Appendix 1 there are the following areas of interest:-
- Pages 5 and 6 provide the exemptions where the contract procedures rules will not apply. These would be exceptional circumstances and apply in circumstances such as where there is proprietary goods or services, works with Government bodies, specialist plant and equipment, emergencies involving immediate risk to persons, property or serious disruption to services.
  - Page 7 provides the ability to procure through collaborative and e-procurement arrangements where are ready tendered or jointly procured contracts. The contracts can offer savings in both the cost and time taken to procure the services.
  - Pages 8 onwards provide the requirements to be followed on the procurement of goods and services including appraisal of the proposed purchase, preparation of the tender documents, records, advertising, approved lists and framework agreements.
  - Page 16 outlines the steps required if there is a need for consultants including the justification signed off by a Head of Service.

### **Financial Procedure Rules**

- 3.6 The Financial Procedure Rules are attached at Appendix 2 and provide certainty on what is permitted and are a key part of the Council's internal control framework. There is an important link to the Contract Procedure Rules which is recognised on Page 9 paragraph 6.3 b).
- 3.7 The Financial Procedure Rules cover the key processes – income, ordering, payments, salaries, banking, asset management, audit, budget management and virement, insurance and risk management, treasury management and stores. The Rules also outline the arrangement for preventing financial irregularities and money laundering. In relation to ordering it is a formal requirement to have an order number in place and any invoices received without an order number will be returned to the supplier.

- 3.8 In terms of matters that usually receive most scrutiny the writing off of uncollectable debt is covered on pages 7 and 8 and the budgetary control and virements on page 19 to 21.
- 3.9 The writing off of uncollectable debt limits any write off over £100 to Service Managers (debt £101 to £2,000) and the Section 151/Deputy Section 151, Head of Customer Access and Financial Support and Head of Housing Services (HRA debts) for debts over £2,000.
- 3.10 The budget virement rules allow transfers:-
- up to £20,000 subject to approval by the Head of Service and the Financial Services Manager;
  - £20,000 to £40,000 by the Director of Finance and Resources
  - Over £40,000 by Executive
- 3.11 No transfers are allowed for salary budgets.
- 3.12 Executive Summaries of both the Contract and Financial Procedure Rules will be considered by the Budget Scrutiny Group on 6<sup>th</sup> December 2017 and a update of their considerations will be provided at Executive.

**Financial Implications**

- 3.13 As well as proving an internal control framework the Contract and Financial Procedure Rules encourage a process that secures contracts for the goods and services that are required by the Council and the best price. The Efficiency Plan for the Council seeks to deliver savings through procurement.

**Legal Implications**

- 3.14 The Contract and Financial Procedure Rules are key internal control documents required by the Council under Section 151 of the Local Government Act 1972 for the proper administration of our financial affairs.

**Service / Operational Implications**

- 3.15 The Contract and Financial Procedure Rules provide clarity of how processes should operate and encourages good decision making which in turn should have a positive impact on services/customers.

**Customer / Equalities and Diversity Implications**

- 3.16 The Contract Procedure Rules require the advertising of opportunities to encourage interest from potential tenderers.

**4. RISK MANAGEMENT**

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- 4.1 The Contract Procedure Rules provide a requirement for a risk assessments/register for any contracts over the EU thresholds. The Financial Procedure Rules outline the requirement for a planned, and systematic approach to the identification, evaluation and control of risk.

**5. APPENDICES**

Appendix 1 – Contract Procedure Rules  
Appendix 2 – Financial Procedure Rules

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