

# REPORT TO GOVERNANCE AND AUDIT COMMITTEE

**REPORT OF: HEAD OF FINANCE**

**REPORT NO: HOF213**

**DATE: 6<sup>th</sup> December 2012**

<b>TITLE:</b>	<b>Updating of Contract and Procurement Procedure Rules</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Mike Taylor Assets and Resources Portfolio Holder	
<b>CONTACT OFFICER:</b>	Richard Wyles, Head of Finance <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a> 01476406210	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	HOF168 – Contract and Procurement Procedure Rules	

## 1. RECOMMENDATION

Governance and Audit committee is asked to recommend to Council the approval of the updated Contract and Procurement Procedure Rules in relation to supporting local suppliers.

## 2. PURPOSE OF THE REPORT

The Contract and Procurement Procedure Rules (CPPR) set out the regulations which must be followed by the Council when it procures goods, services and works. The current CPPR were last updated in December 2011 to ensure they remained in line with best practice in terms of procurement practices and methodologies. Recently officers from South Kesteven and Procurement Lincolnshire have been reviewing how the Council can support Local suppliers as part of its priority to support the Local Economy.

### 3. DETAILS OF REPORT

The Council has been working with Procurement Lincolnshire and all its partners to adopt a Countywide strategy to support local Lincolnshire businesses which outlines a number of initiatives within its Joint Action Plan. Work has been undertaken with both senior management and the executive on how the Council can engage and deliver the Strategy which also includes defining what South Kesteven defines as 'local'.

The potential for positive action to support 'local suppliers' is substantially limited by EU Procurement Law. The EU Public Contract Regulations 2006 do not allow procurement awards to be made based on geographical location or ability to favour local businesses as this may be seen as discriminatory. However there are many ways that local businesses and the local economy can be legitimately supported through procurement based initiatives without contravening the Regulations

One of the procurement based initiatives detailed within the Joint Action Plan is the adoption of a procurement policy "Supporting Local Suppliers and SME's for low value purchases that are not subject to the EU regime and below the Council's threshold of £25,000, where a series of detailed rules must be followed which regulate how contracts are to be awarded. This draft Policy outlined in the table below has been developed to encourage Officers to consider purchasing from local suppliers when appropriate. The activities detailed in the table below demonstrate how the Council's in Lincolnshire can maximise their use of local suppliers; ensuring that adequate competition is maintained whilst minimising legal risk.

<b>Total Contract Value</b>	<b>Process</b>	<b>Action to be taken</b>	<b>Benefit</b>
<b>£0 - £5,000</b>	3 oral quotations – but, good housekeeping, better in writing (even a fax)	A local supplier should be used where appropriate	Local suppliers will be given the opportunity to bid for work.
<b>£5,000 - £25,000</b>	Minimum of three written quotations	One of the quotations must be from a local supplier and a local supplier should be used where they provide the most economically advantageous offer.	
<b>£25,000 - £75,000</b>	Request for Quotation	Advertise via Contract Publications but this must include advertising on Source Lincolnshire	Local suppliers can register on Source Lincolnshire to receive email alerts, ensuring they don't miss an opportunity to bid for work.*
<b>£75,000 – EU Thresholds</b>	Tender Process		
<b>Above EU Thresholds</b>	Tender Process	Advertise on OJEU and Source Lincolnshire	

The policy, if adopted, will form part of the Authorities' Contract Procedure Rules and will require that for all purchases up to £25,000 that one of the quotations must be from a local supplier and that the local supplier should be used where they provide the most economically advantageous offer. The definition of a "local" supplier within the policy is those suppliers whose trading premises are located within Lincolnshire.

#### **4. OTHER OPTIONS CONSIDERED**

None

#### **5. RESOURCE IMPLICATIONS**

The approval of the contract and procurement procedure rules has no direct resource implications

#### **6. RISK AND MITIGATION (INCLUDING HEALTH & SAFETY AND DATA QUALITY)**

In order to ensure contract and procurement activities are undertaken in accordance with legislative and policy then training and resource support will be provided to assist officers.

#### **7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

None

#### **8. CRIME AND DISORDER IMPLICATIONS**

None

#### **9. COMMENTS OF FINANCIAL SERVICES**

Supporting Local suppliers and the impact on the local economy is an important issue for the council as it has significant influence in this area given the size of its spending power. The council has already adopted some of the initiatives suggested by Procurement Lincolnshire such as paying local suppliers in 10 days – 92% as at October 2012.

#### **10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

It is important that any change to the Council's Contract Procedure Rules take into account the guidance provided by Lincolnshire Procurement to ensure compliance with the EU procurement principles and the Public Contract Regulations 2006 that will assist in minimising the risk of legal challenge.

Consideration and review of any potential change to the Council's Contract Procedure Rules falls within the terms of reference of the Governance and Audit Committee. After a review of the potential changes a report should follow from the Chairman of the

Governance and Audit Committee with a recommendation to Full Council who would need to approve any changes.

**11. APPENDICES:**

None