

REPORT TO COUNCIL

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF222

DATE: 1 March 2013

TITLE:	Updating of Contract and Procurement Procedure Rules	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Assets and Resources Portfolio Holder	
CONTACT OFFICER:	Richard Wyles, Head of Finance r.wyles@southkesteven.gov.uk 01476406210	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF168 – Contract and Procurement Procedure Rules HOF213 – Updating of the Contract and Procurement Procedure Rules The above reports can be located by putting their reference number in the search section of the committee website via the link below: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

1. RECOMMENDATION

- 1.1 Council is asked to approve the updated Contract and Procurement Procedure Rules in relation to supporting local suppliers up to the contract value of £25,000.
- 1.2 Council is asked to approve the definition of local supplier as: 'suppliers whose trading premises are located within Lincolnshire and/or a 20 mile radius of the county of Lincolnshire's boundary'.

2. PURPOSE OF THE REPORT

- 2.1 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 'Grow the Economy'.
- 2.2 Members of Governance and Audit Committee have considered this item at their meeting on 6th December 2012 and recommend that Council approve the updated CPPR.

3. DETAILS OF REPORT

- 3.1 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'.
- 3.2 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
- 3.3 One of the procurement based initiatives detailed within the Joint Action Plan is the adoption of a procurement policy "Supporting Local Suppliers and SMEs 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 Councils in Lincolnshire can maximise their use of local suppliers ensuring that adequate competition is maintained whilst minimising legal risk.

Total Contract Value	Process	Action to be taken	Benefit
£0 - £10,000	3 quotations – supported in writing	A local supplier should be used where appropriate	Local suppliers will be given the opportunity to bid for work.
£10,001 - £25,000	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.	
£25,001 - £75,000	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.*
£75,001 – EU Thresholds	Tender Process		
Above EU Thresholds	Tender Process	Advertise on OJEU and Source Lincolnshire	

3.4 The policy, if adopted, will form part of the authority's Contract Procedure Rules and will require that, for all purchases up to £25,000, 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.

3.5 Members of Governance and Audit Committee considered the matter of the definition of 'local' and agreed that this should not be limited to businesses located within Lincolnshire only, given the geographical location of South Kesteven. It was therefore proposed that to have a consistent definition with other county authorities, suppliers will be defined as those whose trading premises are located within Lincolnshire and/or a 20 mile radius of the county of Lincolnshire's boundary.

4. OTHER OPTIONS CONSIDERED

4.1 None

5. RESOURCE IMPLICATIONS

5.1 The approval of the Contract and Procurement Procedure Rules has no direct resource implications

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

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

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

- 7.1 None

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 None

9. COMMENTS OF FINANCIAL SERVICES

- 9.1 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 – 92.59% as at January 2013.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 10.1 Any change to the Council's Contract and Procurement Procedure Rules should take into account the guidance provided by Procurement Lincolnshire and ensure compliance with the Public Contract Regulations 2006 to minimise the risk of challenge. The Public Contract Regulations 2006 apply to contracts over a specific threshold. Current thresholds are £173,934 for supplies and services contracts and £4,348,350 for works contracts. The proposals in this report will impact on contracts valued below the current thresholds.

11. APPENDICES

- 11.1 None