

Meeting: AUDIT COMMITTEE

Agenda Item:

Date: 10 June 2008

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CONTRACT STANDING ORDERS & FINANCIAL REGULATIONS - REVISED

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1. PURPOSE

- 1.1 To obtain Members agreement to the council's revised Contract Standing Orders and Financial Regulations.

2. RECOMMENDATION

- 2.1 That the Audit Committee approves the revised Contract Standing Orders (Appendix A) and Financial Regulations (Appendix B) and for them to be submitted to Council for final approval.

3. BACKGROUND

- 3.1 The Financial Regulations (FR's) form an essential part of the control framework within which the Council operates. They are designed to ensure that financial decisions are taken in a considered and informed manner by assuring that consistent, high quality financial information is available to Members and Officers. In this way the Council can be confident that financial management ensures the Council's priorities and objectives are met in an economical, effective and efficient way, whilst still maintaining the highest levels of accountability.
- 3.2 The Contract Standing Orders (CSO's) are a framework of rules, which must be adhered to when purchasing goods, services, works, income generating contracts or disposing of Council property. The CSO's have been established to ensure that the Council is compliant with UK legislation, follows best practise and achieves best value for money in its procurement activities. They also promote good purchasing practice and public accountability and help protect officers from any complaints.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 A full review of both the CSO's and FR's was commissioned in January 2008 by the Strategic Director (Resources). Service Delivery Units and relevant Members were consulted on their current application and suggestions for changes / improvements to assist in the efficient running of the Council.

4.2 The following is a summary of the key changes proposed to the CSO's :

- Introduction of a new Contract Award Notification Form (Appendix C) – This new form must be completed for all contracts awarded over £75,000 in value. This will assist the Council's Corporate Procurement team by ensuring correct procedures have been followed, any potential savings are recorded, enable a database of contracts to be kept up to date and assist with business continuity and disaster recovery.
- Introduction of new Procurement Check Lists (Appendix D to G) – Four check lists (depending on value and nature of procurement exercise) which can be used by procuring officers as an aide memoir, highlighting the key procurement steps which need to be taken during the procurement exercise in chronological order.
- Financial Checks (CSO's 5.7 & 6.7) – There will no longer be a requirement to conduct financial checks on all short listed suppliers where the contract value is over the EU threshold. Only the preferred supplier needs an appraisal. Contracts over £250,000 must be financially appraised every 2 years.
- A new Income Generating Contracts section (CSO 7.8)
- A new Health and Safety section (CSO 8.13)
- Legal corrections – (i.) The standstill period has now been increased from 10 to 15 days (ii.) Procurement exercises which take longer than 12 months from advertisement to contract award must be authorised by either the Borough Solicitor or the Strategic Director (Resources) (iii.) All suppliers under a framework agreement must be invited to mini-competition.

4.3 In addition, the following areas of the FR's are proposed for amendment:

- General post title changes e.g. Assistant Chief Executive (Finance) to Strategic Director (Resources)
- Inclusion of the role and responsibilities of the Audit Committee
- Budget Monitoring processes, frequency and responsibilities
- New virement restrictions
- Changes to the approach, authorisation and administration of surveillance operations
- Inventories
- Disposal of assets and treatment of surplus or obsolete stock
- Preferred method of payment to be changed from cheque to BACS

4.4 Training on the new features and requirements of the CSO's and FR's will be rolled out over the next few months.

5. IMPLICATIONS

5.1 Financial Implications

The revised Contract Standing Orders and Financial Regulations will provide a robust financial management framework within which the Council will operate. No direct financial implications have been identified at this time in implementing these revisions.

5.2 Legal Implications

Under S135 of the Local Government Act 1972 Local Authorities are required to adopt Contract Standing Orders for contracts for the supply of goods and materials or for the execution of works and may also make standing orders relating to contracts generally.

Recent case law relating to contracts covered by the EU Procurement Directive has clarified the law relating to the evaluation and selection procedures which will result in some necessary changes to these procedures in the attached Contract Standing Orders. These changes, which only relate to contracts covered by the Procurement Directive will be incorporated into the draft orders before they are submitted to the Full Council for adoption.

5.3 Policy, Planning, Environmental, Staffing and Accommodation, Human Rights, Equal Opportunities, Service Delivery Community Safety, Information Technology, Other Corporate Implications

None identified at this time.

BACKGROUND DOCUMENTS

- CIPFA 'Good Practice Guide to an English Modern Council' – Financial Regulations.

APPENDICES

- Appendix A - Revised Contract Standing Orders
- Appendix B - Revised Financial Regulations