

Report To: **Cabinet**

Date of Meeting: **28th June 2016**

Lead Member / Officer: **Cllr Julian Thompson Hill**
Jamie Groves – Head of Facilities, Assets & Housing

Report Author: **Tom Booty – Programme Manager**

Title: **Contract Procedure Rules - proposed change to officer authorisation thresholds**

1. What is the report about?

This report proposes a change to the Council's Contract Procedure Rules (CPR's) with regard to the financial threshold of the authorisation processes where the Section 151 Officer and the Monitoring Officer's signatures are required in addition to the relevant Head of Service. The change is being proposed for practical and efficiency reasons following further analysis of contract volumes and input from Heads of Service. It does not propose any changes to the financial thresholds at which Members become involved in the authorisation process.

2. What is the reason for making this report?

A decision is required on whether Cabinet support the proposed change to officer authorisation thresholds within the Council's Contract Procedure Rules (CPR's), prior to the amendment being considered by full Council on 5th July 2016 as part of the wider item on the revised constitution.

3. What are the Recommendations?

That Cabinet endorse the proposed amendment to the CPR's.

4. Report details

Denbighshire Council approved new CPR's at their meeting of 23rd February 2016, and they came into force on 1st April 2016. Since that date, a number of training sessions have been undertaken to ensure staff are aware of the changes and the new operational procedures. To the end of May 2016, 9 training courses have been run, attended by 107 officers, with more courses scheduled over the summer.

At these training events, several officers – including Heads of Service – have questioned the appropriateness of requiring Section 151 Officer and Monitoring Officer authorisation for contracts over £25,000 in value. They considered this threshold far too low, and the volume of authorisations that would require these additional signatures would be impractical and lead to potentially significant delays in delivery.

Responding to these concerns, the Corporate Procurement Team undertook some analysis of the likely volume of contracts at this level, which indicated that the volume of contracts over £25,000 was likely to exceed 1,200, and on this basis agreed that at

this volume it would create significant issues and delays if all these required the additional signatures from Section 151 and Monitoring Officer. Note that this analysis was possible to undertake quickly and easily following our adoption of the electronic procurement system which holds all the data centrally. This type of analysis was not possible at the time the CPR's were being developed and consulted on.

Under the CPR's authorisations are required at the following key decision points:

- CPR 2.7 : Deciding the procurement strategy
- CPR 2.11: Approving exceptions to the CPR's
- CPR 5.5 : Awarding the contract
- CPR 6.8 : Approving substantial variations to the contract

In order that the procurement authorisation process is efficient and does not cause any unnecessary delays, the following amendment to the CPR's is proposed:

EXISTING AUTHROISATION THRESHOLDS

For contracts less than £25,000:

- The manager of the team where the procurement activity is taking place, providing they have authority to spend to the estimated contract value. If they do not have authority to spend, then:
- By the Head of Service where the procurement activity is taking place.

For contracts greater than £25,000:

- £25,001 to £1,000,000 – Head of Service, Section 151 Officer and Monitoring Officer
- £1,000,001 to £2,000,000 – delegated decision by relevant Cabinet Member
- £2,000,001 and over – Cabinet decision

PROPOSED AUTHORISATION THRESHOLDS

For contracts less than £250,000:

- The manager of the team where the procurement activity is taking place, providing they have authority to spend to the estimated contract value. If they do not have authority to spend, then:
- By the Head of Service where the procurement activity is taking place.

For contracts greater than £250,000:

- £250,001 to £1,000,000 – Head of Service, Section 151 Officer and Monitoring Officer
- £1,000,001 to £2,000,000 – delegated decision by relevant Cabinet Member
- £2,000,001 and over – Cabinet decision

Note that this proposed amendment does not change the threshold level at which Members become involved, and is being proposed for operational efficiency reasons.

5. How does the decision contribute to the Corporate Priorities?

The CPR's relate to priorities within the Economic & Community Ambition Strategy and in relation to this will address the two specific pieces of work within the Corporate Plan of:

- How the council works with suppliers; and
- Community Benefits

A decision to support the proposed change to officer authorisation levels will improve efficiency and therefore assist in delivering these priorities.

6. What will it cost and how will it affect other services?

There is no cost associated with the proposed amendment to the CPR's.

The proposal has come about as a result of comments and input from services and will improve operational efficiency.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report

The Equality Impact Assessment on the CPR's is attached to this report. Overall, it is considered the CPR's will have a neutral impact.

8. What consultations have been carried out with Scrutiny and others?

Development of the CPR's themselves were subject to wide-ranging internal and external consultation detailed in the report to Council of 23rd February 2016. With regard to consultation on the proposed amendment to officer authorisation thresholds, this has been discussed in detail with the Council's legal and finance teams, along with key Heads of Service who are likely to have operational engagement with a high volume of contracts.

Note that if the proposal is supported, we will undertake to ensure that the change is effectively communicated throughout the organisation.

9. Chief Finance Officer Statement

The new arrangements should enhance the council's procurement processes and help ensure compliance with internal and external regulations.

10. What risks are there and is there anything we can do to reduce them?

There is a risk that raising the officer authorisation threshold will lead to non-compliance. However, the majority of Heads of Service already have authorisation to approve spend up to £250,000 (in some cases more), and thus it would be consistent to give them authority to make decisions about spend to that level also. In circumstances where a Head of Service has any concerns about a proposal, they would always have the option of referring the proposal to the Section 151 and Monitoring Officer for their comment and authorisation, regardless of the threshold level. On this basis the risk is considered minimal and manageable.

11. Power to make the Decision

Section 111, Local Government Act 1972