

FINANCIAL REGULATIONS AND ORDERING PROCEDURES

1 SUMMARY

- 1.1 The purpose of this report is to propose a minor amendment to Financial Regulations and seek Members' views on the provision of training on the Council's procurement methods.

2 BACKGROUND

- 2.1 At the meeting of this committee held on the 25 October 2005 concern was expressed that the Financial Regulations require officers to obtain a quotation prior to an order being placed. It was agreed that the Chairman of the Committee should visit the offices to observe the procedures that are in place for the procurement of goods and services. The visit to the offices took place on 10 November.

3 FINANCIAL REGULATIONS

- 3.1 During the visit discussion took place with regard to the Financial Regulations. The concern centred around Regulation 4.4. which states that ' . . . goods or services required and any contract, agreed price and authorisation relating thereto'. In essence this meant that when read in conjunction with the recently amended Contract Procedure Rules, an officer could let a binding contract for up to £10,000 by obtaining one quotation. In these circumstances the Council would have no legal redress in the event that the quotation was excessively priced. On the other hand, if the contract was let on the basis of an estimate there would be scope for further negotiation. It is stressed that the risk of the above happening is extremely remote given that only Heads of Service and above plus 11 specified officers have the authority to place orders up to £10,000. In addition, Contract Procedure Rules require officers to demonstrate that best value has been achieved or 3 competitive quotations should be obtained.
- 3.2 It was also agreed that, in considering the wording of the Regulations, the Corporate Director (Finance and External Services) had a duty to ensure that any change in wording did not dilute the strength of existing working practice.
- 3.3 The solution agreed was a simple change to the wording from 'agreed price' to 'estimate'. It was further agreed that the change should be incorporated within the new constitution to be introduced in May 2006.

4 OTHER ISSUES

- 4.1 The Chairman viewed the operating procedures of the Contracted Services Division and also the Improvement & Development Agency's (IDeA) 'Marketplace', which is the e-procurement system used by the Council.
- 4.2 Within the 'Marketplace' system are contracts which have been let on a county-wide basis. These contracts have been vetted for price and quality by Essex County Council. The prices can only be changed following further vetting by the County Council. The main benefits from these contracts are maintained by each partner authority utilising these contracts.
- 4.3 This practice raised concerns with the Chairman on two counts. Firstly, there was no obligation on individual officers to 'shop around' as they would be guided to these contracts when placing an order. Secondly this type of practice could work against small local suppliers.
- 4.4 With regard to the first issue, there is no doubt that there could be occasions when a cheaper commodity could be available. The prices are, however checked on a regular basis by all authorities in the partnership and any better suppliers identified are passed to the County for evaluation. Local authorities, particularly small shire districts, are being actively encouraged by Central Government to work in this way.
- 4.5 This method of working could, on occasions, disadvantage the smaller local supplier. The authority does, however, have a very good track record of using local suppliers.
- 4.6 Given the Chairman's concerns, Members' views are requested as to whether or not a session on procurement should be included within the Member Training programme.

5 RECOMMENDATION

It is proposed that this Committee **RESOLVES**

- (1) To consider the amendment to the Financial Regulations in conjunction with the item on this agenda relating to the Constitution.
- (2) To consider whether or not to include procurement in the Member Training Programme.

Roger Crofts

Corporate Director (Finance & External Services)

Background Papers:-

None

For further information please contact Roger Crofts on:-

Tel:- 01702 546366 Extn. 3006

E-Mail:- roger.crofts@rochford.gov.uk