

Central
Bedfordshire
Council
Priory House
Monks Walk
Chicksands,
Shefford SG17 5TQ



**TO ALL MEMBERS OF THE
GENERAL PURPOSES COMMITTEE**

20 October 2017

Dear Councillor

GENERAL PURPOSES COMMITTEE – THURSDAY, 26 OCTOBER 2017

Please find attached a copy of the report for agenda item 12 for the above meeting. The report now includes an Appendix A.

Please dispose of the original supplement on this item (dated 13 October 2017).

12. **Executive Contract Approval Limits**

To consider proposed amendments to the procurement threshold authorisation limits contained in Part 4J (Code of Procurement Governance) of the Constitution.

Should you have any queries regarding the above please contact me.

Yours sincerely

Leslie Manning
Committee Services Officer

email: leslie.manning@centralbedfordshire.gov.uk
tel: 0300 300 5132

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Central Bedfordshire Council

GENERAL PURPOSES COMMITTEE

26 October 2017

Executive Contract Approval Limits

Report of: Cllr. Richard Wenham, Deputy Leader and Executive Member for Corporate Resources (richard.wenham@centralbedfordshire.gov.uk)

Responsible Director: Charles Warboys, Director of Resources (charles.warboys@centralbedfordshire.gov.uk)

Purpose of this report

1. The report proposes amendments to the Procurement threshold authorisation limits contained within part 2 Article 12 of Central Bedfordshire Council's Constitution.

RECOMMENDATIONS

The Committee is asked to:

1. Consider the options outlined to increase the Executive contract approval threshold for Capital and recommend to Council the increase to the Executive contract approval threshold to £750K per annum, from £500K.
2. Consider the options outlined to increase the Executive contract approval threshold for revenue and recommendation to Council to increase the Executive contract approval threshold to £300K per annum, from £200K.

BACKGROUND INFORMATION: At present revenue contracts with an annual value in excess of £200K and capital contracts in excess of £500K require approval by the Executive. By streamlining the process for contract approvals in the way recommended by this paper, it will enable the way the Councils business to operate more efficiently with fewer reports being taken to Executive.

The thresholds for approval have not been updated since the Council was formed in 2009 over which period inflation has eroding the real value of money. Therefore, increasing the thresholds at this stage is not seen as representing any significant increase in risk.

ISSUES: None

FINANCIAL AND OTHER OPTIONS: These are covered in the report

2. EXECUTIVE SUMMARY

KEY HIGHLIGHTS

- 2.1 Based on analysis carried out by Finance there are 55 contracts which will require approval by the Executive between 2017/18 and 2021/22, as they are in excess of the current thresholds of £200K per annum for revenue and £500k per annum for capital.

The breakdown of these contracts by directorate is shown in Table 1 below.

Table 1 – Forecast Revenue & Capital contracts requiring Executive approval

Directorate	Number > £200K (Revenue) or > £500K (Capital)	Renewal Year				
		2017/18	2018/19	2019/20	2020/21	2021/22
Children's Services	15	7	4	2	2	0
Housing HRA	4	4	0	0	0	0
Public Health	3	2	0	1	0	0
Corporate / Chief Executives Office	2	2	0	0	0	0
Community Services	17	15	1	1	0	0
Regeneration	6	4	1	1	0	0
SCHH	8	8	0	0	0	0
Total	55	42	6	5	2	0

Executive capital contract threshold

- 2.2 Under existing arrangements a formal business case process exists, which requires approval from the relevant Executive Member and the Executive Member for Corporate Resources.

Provided that the contract spend is within the budget agreed by full Council for that capital scheme then it is proposed that the threshold above which capital contracts require Executive approval be increased to £750K per annum from £500K per annum.

This proposal will result in a decrease in the forecast number of capital contracts requiring Executive approval in 2017/18 and 2018/19, from 14 contracts to 10.

The breakdown of these contracts by year of renewal is shown in Table 2 below.

Table 2 – Forecast capital contracts requiring Executive approval under existing threshold and proposed threshold.

Number of Executive Approvals	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Existing threshold £500k per annum	13	1	0	0	0	14
£750k per annum threshold	9	1	0	0	0	10

Executive revenue contract threshold

- 2.3 In relation to revenue contracts it is proposed that Executive approval for contracts will be required where the total contract value exceeds £1M and the contract exceeds 5 years in duration (including contract extension periods) and the contract value per annum is in excess of £200K. For the final criteria there are several options, the per annum value could be set at £200K, £300K or £400K.

If the per annum value is set at £200K then the forecast number of revenue contracts requiring Executive approval, over the 5 year period 2017/18 to 2021/22, decreases from 39 to 22.

If the per annum value is set at £300K then the forecast number of revenue contracts requiring Executive approval, over the 5 year period 2017/18 to 2021/22, decreases from 39 to 19.

If the per annum value is set at £400K then the forecast number of revenue contracts requiring Executive approval, over the 5 year period 2017/18 to 2021/22, decreases from 39 to 17.

The recommended per annum contract value is £300K per annum, above which, subject to meeting the additional criteria outlined above, the revenue contract will require approval by the Executive.

A summary of this is shown in Table 3 below.

Table 3 – Forecast revenue contracts requiring Executive approval under existing threshold and proposed new thresholds options.

Number of Executive Approvals	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Existing £200K per annum threshold	29	5	5	2	0	41
£1M total contract value and 5 year duration and £200k per annum threshold	18	1	2	1	0	22
£1M total contract value and 5 year duration and £300k per annum threshold	15	2	2	0	0	19
£1M total contract value and 5 year duration and £400k per annum threshold	13	2	2	0	0	17

Summary

- 2.4 Subject to approval these proposals will reduce the number of contracts which require Executive approval by a minimum of 19 (46%), assuming the lowest £200K per annum threshold is adopted for revenue.

The recommendation is that the following authorisation thresholds apply for Executive approval of contracts :

- Capital contracts in excess of £750K per annum will require Executive approval.
- Revenue contracts where the total contract value exceeds £1M and the contract exceeds 5 years in duration (including contract extension periods) and the contract value is in excess of £300K per annum will require Executive approval.

Appendices

Appendix A – Extract from Constitution (Tracked Changes)

Appendix A

PART 2 ARTICLE 12 - DECISION MAKING

1. Key Decisions

1.1 A Key Decision means an executive decision which is likely:-

1.1.1 To result in the Council incurring expenditure which is, or the making of savings, which are significant as defined in 1.2 below, having regard to the Council's budget for the service or function to which the decision relates; or

1.1.2 To be significant in terms of its effect on communities living or working in an area comprising one or more wards in the area of the Council.

1.2 For the purposes of 1.1.1 above,;

1.2.1 ~~savings or expenditure~~ are significant if they exceed £200,000 per annum (revenue) or £500,000 whole life cost (capital),

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1.2.2 expenditure is significant if it exceeds:

1.2.2.1 in respect of revenue contracts:

(i) £300,000 per annum; and

(ii) £1m total cost; and

(iii) 5 years duration (including contract extension periods); or

1.2.2.2 £750,000 per annum (capital)

1.3 Savings and expenditure in 1.2 above, does not include:-

1.3.1 The day to day activity of the Council's treasury management functions, which are covered by the Treasury Management Policy Statement approved separately by the Council.

1.3.2 Expenditure which is identified in the approved Revenue Budget or Service Plan for the service concerned;

1.3.3 Implementation of a capital project identified in the approved Capital Programme and in respect of which the detailed business case (or equivalent) has been approved;

1.3.4 Implementation of an explicit policy within the approved Budget and Policy Framework or fulfilment of the policy

intention of a key decision previously approved by the Executive;

- 1.3.5 The invitation of tenders or awarding of contracts where necessary to provide for the continuation of an established policy or service standard.
 - 1.3.6 The procurement of placements for children and of care packages, including residential care, for children and adults with disabilities or other conditions warranting the provision of such placements or packages subject to such decisions being reported to the Executive Member for Corporate Resources and the Executive Member for the relevant service area.
- 1.4 For the purpose of 1.1.2 above, a decision will be regarded as “significant” if the outcome of the decision will have an impact, for better or worse, on the amenity of the community or quality of service provided by the Authority to a substantial number of people living or working in the wards affected.
- 1.5 A decision maker may only take a Key Decision in accordance with the requirements of the Access to Information Procedure Rules set out in Part 4F of the constitution.