

## **Recommendation from the General Purposes Committee: Executive Contract Approval Limits**

Report of Councillor Mrs Jane Lawrence, Chairman of the General Purposes Committee

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### **Purpose of this report**

This report sets out recommendations by the General Purposes Committee to amend the procurement threshold authorisation limits contained in Part 2 Article 12 of the Constitution.

### **RECOMMENDATIONS**

It is recommended that full Council:

- 1. Approves an amendment to Part 2 Article 12 of the Constitution to increase the Executive contract approval threshold for capital to £750K financial commitment from £500K whole life cost;**
- 2. Approves an amendment to Part 2 Article 12 of the Constitution to increase the Executive contract approval threshold for revenue to contracts 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 £300K from £200K per annum.**

### **Overview and Scrutiny Comments/Recommendations**

- 1. This matter has not been considered by overview and scrutiny because it falls within the remit of the General Purposes Committee.**

## **Background**

2. At the meeting of the General Purposes Committee on 26 October 2017 Members noted that, at present, revenue contracts with an annual value in excess of £200K and capital contracts in excess of £500K required approval by the Executive. Members further noted that the thresholds for approval had not been updated since the Council was formed in 2009 over which period inflation had eroded the real value of money.
3. The General Purposes Committee was also advised that there were 55 contracts which would require approval by the Executive between 2017/18 and 2021/22, as they were in excess of the current thresholds of £200K per annum for revenue and £500k whole life cost per annum for capital. The aim of the General Purposes Committee's recommendations is, therefore, to streamline the process for contract approvals, thereby enabling the Council's business to operate more efficiently with fewer reports being taken to Executive.
4. The Director of Resources had assured the Committee that high value contracts would still be submitted for tender and lay within the public domain. He had also pointed out that when the budget was approved it was projects rather than the specific contracts. Revenue in particular was considered by the Council in great detail.
5. A Member had commented that that a figure £300K per annum for revenue contracts was significant because a number were 5 year contracts.

### **Executive capital contract threshold**

6. Under existing arrangements a formal business case process exists, which requires approval from the relevant Executive Member and the Executive Member for Corporate Resources.
7. 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 financial commitment from £500K whole life cost.
8. 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.

### **Executive revenue contract threshold**

9. 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.

If approved the forecast number of revenue contracts requiring Executive approval, over the 5 year period 2017/18 to 2021/22, decreases from 39 to 19.

## **Council Priorities**

The proposed action will support the following Council priorities:

- Enhancing Central Bedfordshire

## **Corporate Implications**

### **Legal Implications**

The Council's Constitution sets out the decision making powers of the Council, Committees, Members and Officers which should be fit for purpose.

The Constitution defines certain decisions as key decisions, who can take key decisions and the process when making a key decision. The starting point is that all key decisions are taken by the Executive unless otherwise set out in the Constitution or they have been delegated. Accordingly the definition should be clear to ensure consistency and transparency in decision making.

### **Financial and Risk Implications**

Increasing the thresholds is not seen as representing any significant increase in risk.

### **Equalities Implications**

Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The Council's contracting procedures take account of equality requirements.

### **Summary**

The aim of the above recommendations is to streamline the process for contract approvals and thereby enable the Council's business to operate more efficiently with fewer reports being taken to Executive. Subject to approval these proposals will reduce the number of contracts which require Executive approval by a minimum of 19 (46%), assuming the £300K 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 financial commitment 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)