

CITY OF DONCASTER COUNCIL

AUDIT COMMITTEE

TUESDAY, 12TH SEPTEMBER, 2023

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, on TUESDAY, 12TH SEPTEMBER, 2023, at 2.00 pm.

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor Glenn Bluff

Councillors Sue Farmer, John Healy and Dave Shaw.

APOLOGIES: -

Apologies for absence were received from Dr Stuart Green, (Co-opted Member) and Members of the Elections and Democratic Structures Committee, Councillors Jake Kearsley, Andy Pickering and Ian Pearson.

Also in Attendance:-

Members of the Elections and Democratic Structures Committee; Councillor Julie Grace, (Chair) and Councillors Deborah Hutchinson and James Church.

101 DECLARATIONS OF INTEREST, IF ANY

There were no declarations of interest made at the meeting.

WELCOME TO MEMBERS

The Chair extended a warm welcome to the Chair and Members of the Elections and Democratic Structures Committee who had been invited to the meeting to comment on proposed amendments to the Council's Contract Procedure Rules and Financial Procedure Rules.

102 REVISIONS TO THE COUNCIL'S CONTRACT PROCEDURE RULES AND FINANCIAL PROCEDURE RULES

The Audit Committee considered a report which proposed revisions to the Council's Contract Procedure Rules (CPRs) and Financial Procedure Rules (FPRs) for recommendation to full Council, as detailed at Appendices 1a and 2b of the report.

The aim of the review was to ensure that:-

- the Contract Procedure Rules offered best contracting opportunities, delivered effective governance and were legislatively compliant.
- the Financial Procedure Rules provide greater clarity to managers, are practical to use and ensure financial decision-making is made at the appropriate level,

Further to the Audit Committee's consideration of the Waivers and Breaches report in April 2023, the Head of Strategic Procurement had reviewed the CPRs to ensure that the threshold levels were appropriate.

The proposed key changes to the CPRs were as follows: -

- The threshold for contracts valued up to £25k increased to £50k, but with protections in place for those contracts between £25,000 and £50,000, with the requirement for Officers to complete a Best Value Form. All contracts would still be registered above £5,000 in accordance with the Local Government Transparency Code and any awarded between £25,000 and £50,000 would have a Best Value Form accompanying the award to demonstrate value for money has been achieved. (Officers would still be encouraged to obtain informal quotations below the £50,000 threshold but there will be no requirement to conduct a formal process). The benefits of this allow for:
 - a) Negotiations to take place on contracts below £50,000 as part of a process that is informal.
 - b) Increased flexibility for officers to award to local companies, currently officers must obtain quotations from a minimum of 3 suppliers, there may not always be that number of local suppliers and they may need to seek quotations out of area which could lead to an award out of area.
 - c) Inflation is currently running exceedingly high meaning that contracts that would have traditionally fallen below £25,000 are now tipping over into the next threshold. This will increase the number of contracts that must go through a formal process hence increasing the resource requirements that have remained static. In addition to this, allowing flexibility will allow for better mitigations where inflation threatens to significantly increase a contract cost as a competition can lead to increased contracting costs.
 - d) Allowing contracts to continue that are demonstrating value for money and effective delivery, this would need to be proven via the Best Value Form. This form would give assurance that best value was achieved and challenged appropriately. e) In 22/23 51 contracts out of a total of 653 awarded were between £25,000 and £50,000 which equates to 8%.
- The current four rationales permissible for CPR Waivers extended to seven to include more narrative and avoid ambiguity and provide decision makers and the Audit Committee better data on awards via the waiver process.
- The threshold when Social Care is mandatory as a minimum of 10% in the evaluation criteria has been decreased from £177,898 to £100,00. The Council have a Social Value Procurement Policy and is delivering social value gains through contracting. This amendment would further these gains and ultimately benefit the citizens of Doncaster.
- Other proposed amendments were of a technical and operational nature.

The key changes to the Financial Procedure Rules were set out at paragraphs 13 to 14 of the report and fell broadly into two categories; Minor changes had been made throughout the document to reduce ambiguity and/or reinforce governance and ensure the procedures could be applied in practice. Changes had also been made in respect of External Funding, details of which were set out at paragraphs 14(a) and 14(b) of the report.

The proposed changes would provide greater opportunity to encourage local suppliers to be awarded contracts through a more flexible approach, enhance procurement practices and allow greater flexibility in the letting of contracts.

The Committee was asked to recommend the updated CPRs and FPRs to full Council for approval.

A Member whilst being supportive of the proposed changes to the CPRs and accepting the rationale for increasing the threshold of contracts from £25k, questioned why the figure was set at £50k. He felt that the increase should have been linked to an inflationary index. In response, the Monitoring Officer explained the rationale for increasing the level to £50k, advised that it had been some time since a review of the threshold levels had been undertaken and to reflect the inflationary increase in the cost of supplies. The proposed increase would provide greater opportunity to award more contracts locally and efficiently, whilst demonstrating Best Value, via a Best Value Form for contracts over £25k. It was hoped that this would help to reduce the number of breaches and waivers. The Monitoring Officer stated that the proposals, if approved would be kept under review and a further report be brought to the Committee in 18 months' time to review the impact of the changes, with any future amendments proposed, in light of operational experience. The Head of Strategic Procurement further advised that new legislation regarding CPRs was to come into effect in October 2024.

In response to questions from Members seeking clarity and assurance, it was noted that: -

- the Procurement team would provide support to officers to complete the Best Value Form for contracts over £25k and would carry out an audit of the completed Best Value forms to ensure that contracts had been awarded between £25k to £50k, and that Best Value had been achieved.
- no costs would be incurred by the Council for modifications being made to the Procurement teams computer system in terms of changes to the contract value thresholds.
- training in respect of Contract Procedure Rules was now compulsory for those officers who were responsible for procuring contracts and that following Council's approval of the revised Contract Procedure Rules, a new staff e-learn system module would be available on the Council's Intranet.
- With reference to the 2022/23 51 contracts that had been awarded out of a total of 653 between £25k and £50k, as outlined in paragraph 9 of the report, the Head of Strategic Procurement advised that in relation to the changes made to the current thresholds, the Procurement Team have not carried out an analysis regarding the distribution of the number of contracts at different levels and in terms of whether this had affected the value of the distribution of contracts. The Head of Strategic Procurement advised that the distribution of contracts was not monitored as the contracts were variant, therefore the distribution of the contracts would not be affected. She undertook to provide the Vice-Chair with information regarding contract values at different thresholds outside of the meeting.
- In relation to how the changes to the current thresholds would affect the distribution of contracts and how an analysis work, the Assistant Director of Finance stated that there would not be a change to the values of the distribution of contracts, but there would be changes to the established processes in terms of obtaining and awarding of contracts. It was anticipated that the distribution of contracts would change over time, due to more contracts awarded for a longer term.

The Committee welcomed the revisions to CPRs, which would provide an improved awareness by Officers regarding waivers and help to address the current ambiguities in the use of waivers. When the Breaches and Waivers report is submitted to the Audit Committee meeting in November, the Committee hoped to see a marked improvement in relation to the number of Breaches and Waivers across the Council, which would set a benchmark for the future.

Members were informed that the report was to be considered for adoption by full Council, at its meeting on 21st September 2023. Following approval by the Council, the proposed changes, and details regarding the mandatory training on the revised procedure rules, would be communicated to Managers across the Council to ensure adherence of Council Procedure Rules.

Members were further informed that the next meeting of the Audit Committee was to be held in November and that the ordinary Audit Committee meeting, scheduled in September had been cancelled.

In closing the meeting, the Chair thanked everyone for their attendance.

RECOMMEND to full Council:-

- (1) that the proposed revisions to Contract Procedure Rules and Financial Procedure Rules, as detailed within Appendices 1 and 2 of the report be approved; and
- (2) following approval by full Council the Revised documents be incorporated into the Council's Constitution.

RESOLVED that a further review of the Council's Contract Procedure Rules and Financial Procedure Rules be undertaken in 18 months' time to consider the impact of the changes and that any further proposed amendments be considered by the Audit Committee based / in light of on operational experience.

CHAIR: _____

DATE: _____