

Meeting:	Cabinet
Date:	3 August 2006
Subject:	Financial Regulations, Corporate Procurement Strategy, Contract Procedure Rules, Small Business Friendly Concordat
Responsible Officer:	Director of Financial and Business Strategy
Contact Officer:	Paula Foulds / Nicola Green
Portfolio Holder:	Cllr David Ashton
Key Decision:	Yes
Status:	Part I

Section 1: Summary

Decision Required

That the following documents be agreed:

- 1) Financial Regulations
- 2) Corporate Procurement Strategy
- 3) Contract Procedure Rules
- 4) Small Business Friendly Concordat (Declaration of support on Pages 36-39 to be signed)

That Cabinet recommends to Council that the Financial Regulations and Contract Procedure Rules be added to the Constitution in place of the existing Financial Regulations and Contract Procedure Rules (dated June 2004).

Reason for report

To ensure that the Council has effective governance arrangements in place and that all of the documents reflect the changes to be implemented with the introduction of the new Enterprise Resource Planning (ERP) system from September 2006 and revisions to legislative requirements.

The Financial Regulations, Corporate Procurement Strategy and Contract Procedure Rules documents have been reviewed and revised and are attached for approval. Also attached for approval is the Small Business Friendly Concordat.

Benefits

The revised Financial Regulations, Corporate Procurement Strategy and Contract Procedure Rules reflect the most up to date organisation structure and management responsibilities.

The revised Financial Regulations, Corporate Procurement Strategy and Contract Procedure Rules reflect the changes to be implemented as a consequence of the new ERP system and also European and National legislative requirements and relevant good practice guidance.

Cost of Proposals

There are no costs directly associated with revising the Financial Regulations, Corporate Procurement Strategy and Contract Procedure Rules. There will be a small cost associated with publishing and distributing the new procedures through out the Council. However this cost can be contained within the financial management budget.

Risks

There is a risk that staff will operate out of date procedures and therefore the new procedures and regulations will need to be communicated widely across the Council.

Implications if recommendations rejected

The current Financial Regulations, Corporate Procurement Strategy and Contract Procedure Rules do not reflect the most up to date organisational structure and responsibilities and are therefore unclear and could lead to poor Governance arrangements.

Section 2: Report

2.1 Under the Council's constitution "the management of the Council's financial affairs will be conducted in accordance with the Financial Regulations and Standards" and "every contract made by the Council will comply with the Contracts Procedure Rules". The current Financial Regulations and Contract Procedure Rules were revised and added to the constitution in September 2004.

2.2 As stated above the existing Financial Regulations, Corporate Procurement Strategy and Contract Procedure Rules have been reviewed and revised documents are attached.

2.3 The main changes to the Financial Regulations (Appendix 1) are:

- Updates to reflect the current organisation structure
- Updates to reflect changes due to the implementation of the new SAP ERP system including establishing Corporate Accounts Payable (CAP) and Corporate Accounts Receivable (CAR) arrangements and changing the preferred purchasing method from purchasing card to purchase order.
- New requirement for Executive Directors and Directors to complete a management assurance statement
- Payment of all employee expenses via payroll rather than petty cash where a purchase order or purchasing card can not be used
- Introduction of the capital budget carry forward policy.

2.4 The main changes to the Corporate Procurement Strategy (Appendix 2) are:

The Corporate Procurement Strategy supersedes the previous Procurement Strategy issued after the Best Value Review on Procurement in 2001/2, refreshing the strategy in line with Corporate, National and European requirements.

The main objectives of the revised Corporate Procurement Strategy are:

- to ensure compliance with EU legislation and national Regulations
- to continue to evaluate and improve current procurement practices to achieve better value for money and ensure customer/client needs are met
- to ensure good practice examples are identified and applied consistently across the Council
- to align procurement activities with other strategies adopted by the Council and to ensure that corporate objectives are addressed
- to ensure that current and future procurement activities are planned, monitored and reviewed effectively

- to identify opportunities for working with others, both public and private sector, in order to widen the scope for maximising purchasing power and identifying innovation
- to ensure the Council procurement processes take account of diversity, equality, sustainability, economic regeneration, the green agenda, fair trade and fair employment
- the adoption of the 'Small Business Friendly Concordat' and consideration within procurement processes of the Compact with the Voluntary and Community Sector which was approved by the Harrow Strategic Partnership in May 2004.

2.5 The main changes to the Contract Procedure Rules (Appendix 3) are:

- Highlighting the importance of procurement decisions to deliver value for money for the Council and the consequences of failure to comply with the Contract Procedure Rules
- Clarity on the roles and responsibilities of Executive Directors, Directors and Officers
- Updates to reflect changes due to the implementation of the new SAP ERP system
- Inclusion of partnership principles and engagement with SME's (signature of the Small Business Concordat attached will assist in driving engagement with SME's)
- Emphasis on the importance of socially responsible procurement, including economic regeneration, sustainability and environmental management and equality and diversity
- Revision of number of quotations for purchases under £1,000 to one written quotation

2.6 Small Business Friendly Concordat (Appendix 4):

The National Procurement Strategy was jointly published by the Office of the Deputy Prime Minister (ODPM) and the Local Government Organisation (LGA) in 2003. The Strategy seeks for Councils to achieve community benefits through procurement, by actively engaging with a diverse range of suppliers, including small businesses, by adopting the Small Business Friendly Concordat by the end of 2005. Only 71 local authorities have done so to date (10 London boroughs).

The Concordat documents what local authorities can do to support the small business sector. The key commitments (and Harrow status on each commitment) of the Concordat are for Councils to:

Key commitments	Harrow current status
Publish a corporate procurement strategy	Draft revised Procurement Strategy to go to Cabinet 3 August
Publish guidance for suppliers on how to do business with the Council	Currently in draft format. This will be launched when SAP is launched on 4 September.
Advertise contracts using a range of	SAP system will facilitate this with a link on

publications to encourage diversity and competition	the Business Portal to all current tender opportunities
Applying tendering processes fairly	Current good practice which is in place already
Offer meaningful feedback to suppliers following the procurement process	Current good practice which is in place already (online feedback form available on the Business Portal on the Harrow website)

Small and Medium-sized Enterprises (SME's) are a powerful engine for economic growth and are a crucial part of the economy, as it has been recognised that small businesses can provide value for money in procurement both by engaging with small businesses directly and via subcontracting. They are often able to provide greater innovation and flexibility and drive much business and employment growth in every locality.

A further benefit of evidencing Harrow's commitment to the Concordat, will be recognition of Harrow as a Council committed to local regeneration and small businesses

2.7 Consultation

Financial Regulations:

Executive Directors, Directors, finance and procurement staff have been consulted on the attached documents.

Contract Procedure Rules:

Finance & Business Strategy DMT, the Procurement Team, Management from Legal Services, Internal Audit, Finance, Axon / Capita, Health and Safety and Human Resources, Business Development Equalities Task Group, Julia Smith (Harrow Association of Voluntary Service). A user group of officers across directorates was also consulted for feedback.

Corporate Procurement Strategy:

Directors of Strategy, Legal Services, Cllr David Ashton, Internal Audit and the Regeneration Team, Corporate Management Team, Business Development Equalities Task Group, Julia Smith (Harrow Association of Voluntary Service)

Small Business Friendly Concordat:

Myfanwy Barrett, Perry Scott, Cllr David Ashton, Corporate Management Team, Regeneration Unit, Allen Pluck (Harrow in Business), Allan Conway (Harrow Chamber of Commerce), Julia Smith (Harrow Association of Voluntary Service)

2.8 Financial Implications

This is a report of the Director of Financial and Business Strategy and deals with financial matters throughout.

2.9 Legal Implications

Section 135 (2) of the Local Government Act 1972 requires the Council to make standing orders for entering into contracts for goods, services or works.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of their financial affairs.

The revised Contract Procedure Rules and Financial Regulations satisfy both of these requirements.

2.10 Equalities Impact

The Financial Regulations, Contract Procedure Rules and Corporate Procurement Strategy apply to all staff across the Council. An equalities impact assessment has already been undertaken on procurement which has informed the development of the new strategy. No equalities impact has been identified from the changes proposed although the equalities impact will be monitored.

2.11 Section 17 Crime and Disorder Act 1998 Considerations

No direct implications

Section 3: Supporting Information/Background Documents

Appendices (circulated in the Cabinet Supporting Documents Pack)

- 1 - Financial Regulations
- 2 - Procurement Strategy
- 3 - Contract Rules
- 4 - Small Business Concordat