

Title of report: Update to Finance and Contract Procedure Rules

Meeting: Audit and Governance Committee

Meeting date: Tuesday 27 January 2026

Report by: Commercial Services Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To review and approve the proposed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes. To ensure council financial and contract procedure rules are up to date in order to ensure transparency about how public resources are used and controlled to mitigate the potential for fraud and ensure compliance with relevant legislation.

Recommendation(s)

That the committee review and approves the updates to the Contract Procedure Rules in Appendix 1 in the constitution and notes that there are no changes recommended to the Finance Procedure Rules or Finance Procedure Rules Guidance Notes.

Alternative options

1. The council could continue with its current financial and contract procedure rules. This is not recommended as this introduces the risk that they would not be fit-for-purpose and provide clarity of roles and processes for those charged with undertaking financial and procurement activity. Further this would mean that the contract procedure rules were not in accordance with new threshold amounts which govern the procedures for the award of public contracts for goods, works and services as set out in the Procurement Act 2023 (PA23) that come into force on 1 January 2026.

Key considerations

2. The council's Contract Procedure Rules (CPRs) provide the policy for procurement activity across the council, setting out how contracts for goods, works, services, concessions and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity.
3. The Financial Procedure Rules set out the framework which the council will use in managing its financial affairs. They set out levels of responsibility and give authority to the Cabinet Members and Officers and are intended to promote good practice in the use of public funds.
4. The Financial Procedures Rules give detailed guidance on how the overarching framework is implemented.
5. In line with good practice, a regular review of these rules is important to ensure that they remain up-to-date with any changes to the council's statutory responsibilities, relevant legislation, the council's constitution and/or how the council conducts its business.
6. Both the contract procedure rules and finance procedure rules were last reviewed, updated and approved by the Audit and Governance Committee on Tuesday 28 January 2025.

Contract Procedure Rules

7. The 2026 updates to the CPRs are to reflect the updated 2026 threshold amounts as published in Procurement Policy Notice (PPN) 023 and to take account of the learning following the introduction of the Procurement Act 2023 and Procurement Regulations 2024, which came into effect on 24 February 2025.
8. The Local Government Act 1972 requires the Council to have standing orders governing how it enters into contracts. The CPRs satisfy this requirement. The Council is subject to UK law with regard to public procurement which requires all contract procedures to be open, fair and transparent. The CPRs provide a basis for fair competition, with clear and auditable procedures.
9. The CPRs ensure a clear and consistent approach to procurement, set the minimum standard of best practice and assurance of good contract management practice within the organisation. The amendments enable officers and members to demonstrate best value and best practice.
10. A final copy of the updated CPRs is attached at Appendix 1. The key amendments include:
 - a. The above threshold amounts which govern the procedures for the award of public contracts for goods, works and services as set out in the Procurement Act 2023 (PA23) have been updated by government to take account of currency fluctuations, and to ensure the UK complies with its obligations under the World Trade Organisation's Agreement on Government Procurement (GPA). From 1 January 2026 the values for goods, services and works have reduced slightly with the exception of Light Touch Regime which has remained the same. The below threshold competition requirements remain unchanged.
 - b. Clarity around the governance requirements to procure and award contracts.
 - c. Clarity that CPRs do not apply to contracts between public authorities and a controlled body ('Teckal exemption') and contracts between public authorities that relate to horizontal arrangements between those authorities as they are exempt contracts for the purposes of Schedule 2 of the Procurement Act 2023.

- d. The requirement for Commercial Services and Legal Services to approve the use of external frameworks.
- e. The requirement to check that any associated persons, connected persons or intended sub-contractors are not on the debarred list.
- f. Enhanced clarity has been provided on when a Direct Award is permitted and the steps that need to be taken.
- g. Update to the modification section to detail that where the value of the contract exceeds the UK threshold, extensions and variation will only be considered where they comply with Regulation 74 of the Procurement Act 2023. The decision can be made by the relevant Director or Service Director in consultation with Commercial Services and Legal Services as this had been omitted from January 2025 update.
- h. Update to exemption section to include similar exemptions to the direct award provision under the Procurement Act 2023 for above threshold contracts.
- i. A new section on User Choice Services, which allows in certain circumstances (often social care related) the direct award of a contract to a specific supplier which is chosen by the service user or their carer.

Financial Procedure Rules and Guidance Notes

11. Officers consider that the Finance Procedure Rules and associated guidance remain fit for purpose and does not require modification at this time.

The committee is asked to note that there are no changes to either document to report for 2026/27.

Community impact

12. In accordance with the adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system.
13. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed and supports the Herefordshire Council Plan objectives to manage finances effectively and to demonstrate one of the council's values, namely, to be open, transparent and accountable.

Environmental Impact

14. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
15. Whilst this is a procedural update and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example both sets of procedure rules encourage the use of online facilities available rather than using a paper trail.

Equality duty

16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.
17. The mandatory equality impact screening checklist has been completed for this decision and as it relates to improving internal processes, it has been found to have no impact for equality, as such a full Equality Impact Assessment is not required,

Resource implications

18. There are no specific resource implications from this report and the updating of the Council's rules.

Legal implications

19. The council must prepare and keep up to date a constitution in accordance with s37 of the Local Government Act 2000. The minimum requirements for the content are set out in the Local Government Act 2000 (Constitutions) (England) Direction 2000 which includes a description of the rules and procedures for the management of the council's financial affairs including: procedures for auditing and financial rules. The contract procedure rules and the finance procedure rules meet the requirements of the Local Government Act (Constitutions) (England) Direction 2000 and are the rules that officers follow in the day-to-day operation of the council as set out within this council's budget and statutory framework.

Risk management

20. The current rules require updating. Amendments to the contract procedure rules have been made to reflect the new threshold amounts and clarify the requirements of the Procurement Act 2023 and Procurement Regulations 2024, which came into effect on 24 February 2025. Updating the rules clarifies what is required and supports officers and members in dealing with issues and ensures that the Council acts in a consistent manner with regard to procurement.
21. The risks associated with the update to the Finance and Contract Procedure Rules have been reviewed and are being appropriately managed in accordance with the Council's Risk Management Strategy. Measures are in place to ensure training, and compliance with the revised legislative and procedural requirements. Oversight will continue through established governance and monitoring processes to ensure risks are effectively mitigated and updates are embedded across the organisation.

Risk/Opportunity	Mitigations
The Contract Procedure rules are updated incorrectly so do not reflect the correct threshold amounts and legislative requirements set out in the Procurement Act 2023 and Procurement Regulations 2024 which could result in procurements breaching the regulations.	Officers responsible for updating the rules are suitably trained on the new legislation and the updates reflect the revised published threshold amounts and clarifies specific aspects of the new regulations.
Officers and members are unaware of the updated rules which could result in breaching the regulations	A communication plan is in place, the contracting toolkit is being updated and training is provided to officers throughout the year.

Consultees

22. None

Appendices

Appendix 1 Contract Procedure Rules updated 2026

Background papers

None identified