

**FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 9 SEPTEMBER 2026**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Changes to the Contract Procurement Rules

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;, ,

1. EXECUTIVE SUMMARY

This report proposes two changes to the Council's Contract Procurement Rules. The first is to increase the threshold for procurements that only require a single quote, to reflect inflation. The second change is to allow a restriction on the location and type of supplier that can bid for contracts,

2. RECOMMENDATIONS

- 2.1. To recommend to Council that the changes to the Council's Contract Procurement Rules detailed in this report are adopted.

3. REASONS FOR RECOMMENDATIONS

- 3.1. The increase in the threshold for single quotes reflects the impact of inflation and that not changing them creates additional work for Officers.
- 3.2. The introduction of geographical and supplier type restrictions gives the opportunity for procurements to be better aligned with policy objectives.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. The Contract Procurement rules could remain unchanged, but then wouldn't get the proposed outcomes.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

No external consultation has taken place. The Council's internal Contract Procurement Group have discussed and support these proposed changes.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Council substantially updated its Contract Procurement Rules for the implementation of the Procurement Act 2023 in February 2025. Since then, there have been minor changes to the Contract Procurement Rules. In line with the constitution these have been notified to Members via the Members Information Service/ Bulletin.
- 7.2. The Contract Procurement Rules form part of the Constitution. The current rules are section 21 (<https://www.north-herts.gov.uk/sites/default/files/2026-07/Section%2021%20-%20Contract%20Procurement%20Rules%20%28July%202026%29.pdf>). Section 22 is retained for contracts that were let before the introduction of the Procurement Act. The proposed changes are only to section 21.
- 7.3. In 2013, the requirement was to seek 2 quotes for procurements above £500, and 3 quotes for procurements above £10k (up to £50k). A subsequent change meant that 2 quotes were required for procurements above £5k and 3 quotes above £10k (up to £25k). In 2022 the requirement changed to 1 quote for up to £10k and 2 quotes above £10k (up to £25k). These rules were not changed for the Procurement Act changes.
- 7.4. There is an increased focus in procurement to ensure that spend is aggregated, which includes considering everything that you might buy from a supplier and also considering spend over time. This means that the value that is being procured can quickly add up, especially when this is combined with the impact of inflation.
- 7.5. The Council implemented Social Value into its Contract Procurement Rules in 2015, this included a Go Local policy (i.e. a focus on use of local suppliers). The Go Local policy does not restrict procurements to just the local area, but does encourage getting quotes from local suppliers.

8. RELEVANT CONSIDERATIONS

Increase in limits for when more than a single estimate is required

- 8.1. The recommendation is that the limit for when more than a single estimate is required is increased up to £25k for goods and services (from the current threshold of £10k). Retaining the limit at £10k is dragging more procurements in to the level that requires 2 estimates.
- 8.2. A lower increase has been considered (e.g. to £15k or £20k). However, retaining the current requirement for goods and services contracts from £25k to £50k (which requires 3 quotes, notice requirements and additional risk and compliance steps) seems reasonable. It would not be desirable to have a narrow value band requiring 2 estimates.
- 8.3. The rules set out the minimum requirement and Officers should still obtain multiple estimates where they think there is sufficient competition and it will provide value for money.
- 8.4. The current rule is not clear on the lower threshold for works contracts that require 2 estimates. It is proposed that this is specified as £25k, with the upper threshold retained at £100k.

- 8.5. To achieve these changes, it is recommended that the current rule 19.2 of the Contract Procurement Rules:

Estimates (above £10,000, and below £25,000 Goods and Services and below £100,000 Works): is the direct acquisition of quotes from suppliers against a specification. Officers must:

Mandatory	Procurement/ Legal Requirement	Minimum Requirement
√	Number of quotes required	2
√	Specification of Requirements	√
√	Comply with relevant procurement checklist	√
√	Maintain records either in Intend or locally in line with retention periods	- the number of estimates or offers invited - the method of inviting estimates or offers - the basis of selecting suppliers/contractors
√	Terms and Conditions	Official order must be raised through the Council's electronic ordering system in line with Financial Regulations

Is changed to:

Estimates (up to £25,000 for Goods and Services and up to for £100,000 Works): is the direct acquisition of quotes from suppliers against a specification. Officers must:

Mandatory	Procurement/ Legal Requirement	Minimum Requirement
√	Number of quotes required	At least one quote. Two quotes required for Works contracts over £25,000. Multiple quotes (above the minimum requirement) should be obtained where it is likely to provide the Council with better value for money (including considering the additional time required to get those quotes).
√	Specification of Requirements	√ To be used where there is a need to clearly detail what is being purchased, including any minimum requirements.

		<i>May not be required for lower value purchases.</i>
√	<i>Comply with relevant procurement checklist</i>	√
√	<i>Maintain records either in Intend or locally in line with retention periods</i>	<i>Where multiple quotes are obtained then records should be kept which detail:</i> <i>the number of estimates or offers invited</i> <i>the method of inviting estimates or offers</i> <i>the basis of selecting suppliers/contractors</i>
√	<i>Terms and Conditions</i>	<i>Low value items can be purchased using a purchasing card. Otherwise, an official order must be raised through the Council's electronic ordering system in line with Financial Regulations.</i>

Restricting tenders based on location and organisation type

- 8.6 In February 2025, Government issued an updated Procurement Policy Note in relation to “reserving below threshold procurements” (see background papers). This note means that below threshold procurements can be limited to bidders from a specific location. The location of the bidder is based on where they are based, established or have substantive business operations, and not by location of corporate ownership. If the location restriction is applied, then a further restriction can be placed on only allowing small and medium sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs) to bid.
- 8.7 This has been updated by guidance on “reserving competitions for below-threshold contracts” from December 2025/ February 2026 that was linked to the Local Government (Exclusion of Non-commercial Considerations) (England) Order 2026 (see background papers). That guidance defines the locations that procurements can be restricted to as being: the Council area (i.e. North Herts), the County area (i.e. Hertfordshire), the County area plus neighbouring Counties and London Boroughs. It also states that the restriction to just SMEs and VCSEs can be applied independently of the location provisions.
- 8.8 Restricting tenders by local area and/or to SMEs and VCSEs, is aligned with the Council’s Procurement Strategy (see background papers). The recommendation is that the Contract Procurement Rules are updated to allow these restrictions. This would be achieved via the following changes:
- To each of the tables in paragraphs 19.2, 19.3, 19.4 and 19.5 (i.e. all those that apply to below threshold procurements) add a line that says: “Location and Organisational restrictions: Consider applying restrictions in line with the detail contained in the paragraphs 12 and 15.
 - Extend paragraph 15 as detailed below (additions in red):

15. Go Local Policy and restricting below threshold procurements to the local area

15.1 The 'Go Local' policy requires that, wherever possible, local suppliers should be invited to participate in all procurements, to support local businesses and economic growth.

15.2 Officers must document the process of supplier selection under the Go Local policy, noting why local suppliers were either selected or unavailable based on the procurement requirements.

15.3 For below threshold procurements, Officers can consider whether to restrict procurements to the local area (which can be the District area of North Hertfordshire, the County area of Hertfordshire or the County area of Hertfordshire and the neighbouring Counties and London Boroughs. The location of a bidder is determined by where they are based, established or have substantive business operations.

- Extend paragraph 12 as detailed below (additions in red):

12. Consideration of Small and Medium Sized Enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs)

12.1 Officers must consider the potential barriers faced by SMEs and VCSEs when competing for contracts. Before issuing quotations or tenders, Officers will proactively identify and, if possible, mitigate these barriers.

12.2 This may involve:

- adjusting procurement practices to be more accessible to SMEs and VCSEs;
- dividing the procurement into multiple Lots
- simplifying the tendering process;
- Use the appropriate procurement documents for the level of procurement.
- ensuring that financial status requirements are proportionate to the contract's scope and value.
- Changing evaluation criteria in the tendering process to use Most Advantageous Tender criteria, (MAT) rather than Most Economically Advantageous Tender (MEAT)
- For below threshold procurements, Officers can consider whether to restrict procurements to just be available to SMEs and VCSEs.

9. LEGAL IMPLICATIONS

9.1. The Council has a legal obligation to have Contract Procurement rules in order to comply with Section 135 of the Local Government Act of 1972. The Public Contracts Regulations 2015, the Healthcare Services (Provider Section Regime) Regulations 2023 and the Procurement Act 2023 provide the legal framework for procuring goods, works and services which the Council must comply with.

The Local Government (Exclusion of Non-commercial Considerations) (England) Order 2026 (the Order) updates the longstanding restrictions on the use of non-commercial considerations in local authority procurement and aligns them with the framework introduced by the Procurement Act 2023. The Order amends section 17 of the Local Government Act 1988 (the 1988 Act), which restricts the Council from taking certain non-commercial considerations into account when awarding contracts. Specifically, the Order clarifies circumstances in which the location of a supplier may be considered in relation to below-threshold contracts. Under the amended regime, the Council is permitted, on a discretionary basis, to reserve certain below-threshold procurements to suppliers based in the UK or within a defined local area (which may include neighbouring authorities). In parallel, section 3(8)b of the Order states that: 'Where the relevant authority advertises for the purpose of inviting tenders.... the authority must specify which paragraph applies, and (where paragraph (3) applies) the extent of the local area for the purposes of paragraph (5)—

(a) in respect of a notifiable below-threshold contract, in the below-threshold tender notice, and

(b) in respect of all other relevant contracts, in the advertisement.

- 9.2. It is expected that amendments to the Procurement Regulations 2024 will require below-threshold tender notices to state whether a contracting authority has exercised the option to reserve a contract to UK or locally based suppliers, in accordance with the Order. The recommendations of this report enable the Council to adopt the flexibility afforded by the changes set down by the Order.

10. FINANCIAL IMPLICATIONS

- 10.1. There are not expected to be any direct financial implications of these proposals. The reduction in number of estimates obtained (for procurements between £10k and £25k) could lead to higher prices, but Officers are instructed to get multiple quotes where appropriate to ensure they get value for money. Restricting tenders by location and organisation type could also increase tender prices, but even if this occurred it would be expected to be off-set by wider social value benefits.

11. RISK IMPLICATIONS

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

- 11.2. There are some financial risks detailed in section 10 above.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.2. There are no direct equalities impacts arising from these proposals.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The aim of the second recommendation in this report is to support the delivery of the Social Value Act and “go local” requirements.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no specific Environmental impacts or requirements that apply to this report. Use of local suppliers can reduce transport requirements which could have a positive impact on related emissions.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 Increasing the threshold for where 2 estimates are required should help to manage the workload of those Officers involved in procurements.

16. APPENDICES

- 16.1 None.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

[Procurement Note – PPN 005 Reserving below threshold procurements](#)

[Reserving competitions for below-threshold contracts - GOV.UK](#)

[Procurement Strategy 2025-28.pdf](#)