

## **CENTRAL PROCUREMENT DIRECTORATE**

### **PROCUREMENT GUIDANCE NOTE 03/06**

### **SUBJECT: USE OF ROLLING CONTRACTS**

Issue Date: 14 July 2006

#### **1. Purpose**

This note advises Contracting Authorities

- (i) that the use of rolling contracts is not regarded as best practice and is most unlikely to deliver value for money; and
- (ii) the parameters under which it may be considered appropriate to enter into such an arrangement.

#### **2. Background**

A report by the Public Accounts Committee (PAC) and Comptroller and Auditor General (C&AG) highlighted contractual compliance and governance deficiencies in relation to the appointment of a firm of consultants by the former Local Enterprise Development Unit (LEDU), a non-departmental public body of the Department of Enterprise, Trade and Investment. LEDU is no longer in existence having been subsumed into Invest Northern Ireland which was established in 2002.

The Report identified a number of major weaknesses on the part of LEDU in the establishment and oversight of a Loan Fund management service. It

emerged, following investigation, that normal public sector rules on competitive tendering were not followed and the contract for the management services had been awarded in 1996 on a three-year rolling basis to the service provider and never tendered again although the contract was renewed in 1999 and 2002 with the existing suppliers.

### 3. Guidance

The PAC recommended that procurement guidance should be issued on the use of rolling contracts for consultancy services in the public sector and that such contracts should **not** be regarded as best practice and are most unlikely to deliver best value for money.

**Government Procurement Policy requires goods, services and works to be acquired through competition unless there are convincing reasons to the contrary.** Competition promotes economy, efficiency and effectiveness in public expenditure and is a useful means of ensuring that the market is fully tested. Procurement through competition remains the best way of achieving best value for money and will assist in demonstrating transparency and integrity.

There may be circumstances where a contracting authority might wish to enter into a Strategic Partnership for certain services on a longer term basis. The parameters under which a Strategic Partnering arrangement is entered into need to be clearly defined and agreed at the outset and should be reviewed periodically to ensure that they continue to provide value for money.

Such checks might include:

- comparison of performance against other contracts (total value for money of outputs and not just initial tender price);



- clear demonstration of a regular increase in value for money from the start of the contract; and
- rebidding the contract after a given interval.

Further advice is contained in CPD Guidance Note 07/04 – Strategic Procurement available at [www.cpdni.gov.uk](http://www.cpdni.gov.uk).

#### **4. Role of Procurement Staff**

Procurement best practice states that appropriately skilled and trained procurement staff should be involved from the outset to ensure that they are given the best opportunity to influence a client's purchasing requirements, especially those that are critical to the operation of the client organisation.

#### **5. Further Information**

Any queries on this Guidance Note should be addressed to:

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Further copies of this or other Guidance Notes can be obtained from Procurement Policy and Performance Branch. Alternatively they are available on the CPD Website at [www.cpdni.gov.uk](http://www.cpdni.gov.uk).

