



Audit and Risk Management Committee

10th March 2020

REPORT TITLE:	Spend Freeze Programme and No PO No Pay Compliance
REPORT OF:	Director of Finance and Investment and Head of Commercial Procurement

REPORT SUMMARY

This report provides information to the Audit & Risk Management Committee in relation to the active work programme that is focussed on reviewing compliance with the Council's Spend Freeze Programme and No PO No Pay Policy.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASONS FOR REPORT

- 1.1 To provide the members with an overview of progress against the spend freeze programme.
- 1.2 To provide the Members with assurance that the Council is taking appropriate measures to ensure that an effective No PO No Pay Policy is applied and monitored.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND INFORMATION

- 3.1 An initial update report was presented to members at the Audit and Risk Committee meeting on the 18th November by the Director of Finance and Investment, which summarised the progress of the spend freeze that commenced in October 2019. A further progress report was provided on the 27th January 2020.
- 3.2 The aim of the spend freeze is to target discretionary expenditure, limit spending to that which is essential for safe and statutorily compliant operations, thus minimising pressure on the Council's budget position for 2019/20.
- 3.3 A No PO No Pay progress report was also presented at the previous meeting by the Head of Procurement.

4.0 Spending freeze

- 4.1 In relation to the monitoring activity undertaken regarding purchase orders raised across the Council, the following information is available from the most recent review (representing purchase orders raised in a six-week period from 23rd December 2019):

Table 1: Response Compliance

Response Received	Purchase Order Volume	Purchase Order £	Officers
Yes	880	£2,920,026	67
Partial*	207	£ 471,024	20
No	634	£2,714,806	44
Total	1,721	£6,105,856	131

** Includes instances when staff provided notification that they were not available to respond due to absences from work and instances where a response was provided, but additional details were required.*

- 4.2 There is a management escalation process in place for officers who have not responded to the request for information, details have been provided to the relevant

Director to facilitate an internal review and action to address non-compliance. The table below breaks down the instances of non-compliance by Directorate.

Table 2: Directorate breakdown of the number of officers who did not respond to information request

Directorate	Non-Responders
Economic & Housing Growth	6
Business Management	15
Delivery Services	9
Children	13
Adult Care and Health	1
Total	44

- 4.3 Instances of repeated non-compliance will lead to performance management arrangements being implemented by line managers.

Table 3: Summary of expenditure type as per spend freeze guidance

Reason for Spend	Purchase Orders	Value £
1. Other	331	1,235,842
2. Schools related spend	93	704,017
3. Spend funded by specific grant or partnership agreements	70	267,055
4. Traded Services, e.g. with schools	43	25,448
5. Monthly/weekly staff salary	4	106,932
6. Staff travel & subsistence for vital services only	0	-
7. Staff car loans	0	-
8. Members expenses (travel, etc.)	1	1,361
9. Childrens placements and support packages	10	43,830
10. Adult placements and individualised support	0	-
11. Housing Benefits	8	10,048
12. Council Tax and NNDR refunds; NNDR to the national pool	2	108
13. Utility costs – gas, electric, water	0	-
14. Hardware & software maintenance contracts	14	86,214
15. Consumables critical to the business e.g. for Health and Safety	153	81,107
16. Any business critical ICT equipment expenditure	20	31,773
17. Precepts & PFI payments	0	-
18. Interest on cash flow activities	0	-
19. Legal Counsel in agreed cases	0	-
20. Annual contracts e.g. payroll, commissioned contractual service	19	36,693
21. Health & Safety works	114	289,918
22. Constituency budgets	0	-
Info Not Provided	839	3,185,509
	1,721	6,105,856

- 4.2 Within the “Other” category, 11 items (3% of the total number of orders in this category) represented 72% of the costs. All of these items were either essential

maintenance for highways and buildings or public health contractual arrangements, which are ring-fenced funding.

- 4.3 Information associated with retrospective orders highlighted as part of the recent review is summarised below:

Table 4: Reasons provided for retrospective orders

Reason for Retrospective Order	Purchase Order £	Purchase Order Volume	Officers
Administrative	£ 12,834	14	10
Emergency / Sensitive	£ 179,655	16	4
Information not provided	£ 634,048	99	38
Non compliant	£ 11,547	16	9
Other	£ 180	1	1
Value of order unknown at time of requirement	£ 43,036	15	7
	£ 881,301	161	69

5.0 No PO No Pay – Retrospective Purchase Orders

- 5.1 The no PO no pay policy was introduced with effect from the 1st April 2019 and a progress report was presented to Audit & Risk Management Committee at the previous meeting, this is a further update on matters in relation to the measures being applied to address non-compliance.

- 5.2 A programme of training events was completed on the 17th December that approximately 160 staff attended, a further 41 colleagues who registered were unable to attend, subsequently an additional programme of 4 events has been organised during March 2020.

- 5.3 In addition to the formal training events, a programme of selected workshops is in progress which is targeted at those services currently operating with the highest volumes of Retrospective Purchase Orders (RPO's). Services which have already received these workshops include:

Place Services – Construction and Maintenance Facilities

Housing Services – Supported Housing and Homeless

Highways Services – Commissioning Business Support, Transport Management

Community Services – Floral Pavilion, Museums

Governance and Assurance - Electoral Services

Childrens Services – Youth Offending, Community Safety, Practice and Development, Participation and Engagement

Regeneration – Major Growth and Housing, Adaptions Team

Organisation and Development – Change and Organisational Design

Services Planned for Workshops in March and April include:

Community services – Operations, Sports Centres, Cemeteries and Crematorium, Parks, Allotments, Countryside

- 5.4 Reports presented previously to the committee have focussed on the detail of the extent that the NO PO NO PAY policy has not been applied. This report provides confirmation that a range of activities in the form of training programmes and

workshops have been applied, with more scheduled for the next phase. It is expected that the outcome from these activities will take time to realise the required outcomes but the next report will be expected to reflect the impact of the initiatives applied

6.0 NO PO NO PAY – Free Standing Invoices

- 6.1 A full 12 months analysis of invoices processed without a PO for the period 1st February 2019 to the 31st January has been completed – the total for this period was 11,467; this is from a total number of invoices of 52,192 for the above period, thus representing 23% of total invoices processed.
- 6.2 A high number of free-standing invoices are received into the payments team in the form of a spreadsheet template. The actual invoices are received directly into the service areas and are manually entered onto the spreadsheet template. When the payments team receive the template, this is loaded directly into the payments system for processing.
- 6.3 Following a review of Law, and Housing Grant transactions, it has been concluded that it is not possible to apply PO's to these invoices. The number of invoices processed for the period 1st February 2019 to 31st January 2020 for these services is approximately 2400 and this leaves our target volume of free-standing invoices as 9000
- 6.4 The payments team is currently operating with a number of vacancies which have been recently approved for recruitment and are currently receiving applications. The recruitment process is expected to take up to 3 months to fulfil. Whilst recruitment takes place, support to the payments team is currently being made available by providing access to Procurement apprentices in order to assist with processing activity.
- 6.5 During this period of recruitment, the migration of 1,000 free standing invoices per month to PO invoices is predicted to produce a negative impact on invoice processing performance, resulting in likely payment delays to suppliers and impacting on meeting payment deadlines for contracts which could be subject to late payment fees. Management reviews will be in place to minimise disruption where possible, but budget constraints coupled with the changes to be implemented are likely to have a short/medium-term effect on performance.
- 6.6 The capacity issues in the payments team suggest that the scope of the migration to PO invoices is likely to take up to 6 months to complete with limited progress in the first 3 months, whilst recruitment is conducted.
- 6.7 As part of the change process to eliminate free-standing invoices processed via spreadsheet uploads, the payments team will undertake an exercise to minimise the number of invoices received by liaising with suppliers and asking for consolidated invoices to be issued where possible and/or amending the frequency of invoices (e.g. monthly, quarterly or half yearly rather than daily, weekly, monthly, etc.).

7.0 FINANCIAL IMPLICATIONS

- 7.1 The aim of the spending freeze is to eliminate non-essential spend and therefore positively impact on the Council's year-end position for 2019/20 in comparison to previous forecasts.
- 7.2 There are no direct financial implications to this report, however the subject matter has close links to financial activity that will be affected as part of the ongoing review processes.
- 7.3 The No PO No Pay programme is expected to minimise or eliminate exposure to maverick spend and improve value for money from existing and new contracts.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising from this report.

9.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 9.1 It's likely that the review processes being undertaken will have staffing and ICT resource implications – the movement away from standalone invoice processing within specific directorates to all processing being done by accounts payable staff only, is one such example. The implications on staff will form part of the individual review processes and any ICT requirements to provide better control environments will form part of the standard project planning activity, which will be consulted on as necessary.

10.0 RELEVANT RISKS

- 10.1 This report is focussed on activity that is being undertaken to minimise risk to the Council. A number of changes to processes are envisaged and there is an inherent risk that operational activity could be negatively impacted. To minimise the likelihood of this occurring, a consultative approach is being adopted to ensure business continuity is facilitated throughout the change processes.
- 10.2 There is a risk that control environments are circumvented/ignored – this report highlights specific activities and groups that operate to review and eliminates such instances (Internal Audit, Corporate Governance Group, Compliance Review Group, etc.) and any revised policies and procedures will incorporate management review processes that will be designed to provide full assurance to activities.
- 10.3 There is a risk that insufficient resources are available to review and implement processes, procedures and control environments deemed suitable for the Council in a timely fashion. A phased approach is being taken to individual review areas to allow individual projects to be undertaken and completed as quickly as possible, utilising the resources that are available in a challenging economic environment, whilst delivering business as usual activity concurrently. A working group of Procurement, Accountancy and Transaction Centre staff has been co-ordinated to manage activity.

11.0 ENGAGEMENT/CONSULTATION

- 11.1 Engagement with relevant departments will be undertaken to ensure all revised policies and procedures are communicated council wide and implications of non-compliance made known and acted upon where necessary.

12.0 EQUALITY IMPLICATIONS

- 12.1 There are none arising from this report.

13.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 13.1 There are none arising from this report.

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APPENDICES

None

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk management Committee: SPENDING FREEZE and NOPONOPAY Report CORPORATE RISK MANAGEMENT UPDATE	27/01/2020