

WIRRAL COUNCIL

CABINET

3 NOVEMBER 2011

SUBJECT:	CONTRACTS REVIEW
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR STEVE FOULKES
KEY DECISION?	NO

1 EXECUTIVE SUMMARY

- 1.1 This report seeks Cabinet authority to amend the agreement reached with PriceWaterhouseCoopers (PwC) who are undertaking a review of major contracts to support the delivery of savings.

2 RECOMMENDATION

- 2.1 That Cabinet agrees to amend the terms of the agreement reached with PwC so that they are rewarded for their work on the basis of a fixed fee element of £50,000 (by way of credits to be written off) and a 15% contingent fee (also by way of credits to be written off) based on the savings they identify, and subject to the Director of Law, HR and Asset Management being satisfied as to the detailed contractual terms.

3 REASONS FOR RECOMMENDATIONS

- 3.1 PwC completed their initial scoping review in July 2011 and identified contracts offering opportunity for savings. However due to the work already undertaken within the Council and discussion regarding which contracts could be reviewed this list was limited to the Biffa contract. PwC and Council staff identified three further contracts with limited potential for savings (Schedule of Rates, Agency staff, and Telecoms) which PwC are reluctant to review at the same time as the Biffa contract without a fixed fee element. PwC have offered to complete all the reviews at the same time as the Biffa contract in return for writing off £50,000 of the credits with 15% contingent fee element being applied to savings (ie there would not be any cash outflow for the Council).
- 3.2 This variation to the agreement requires Cabinet approval.
- 3.3 Further Cabinet approval will need to be sought to implement any actions should PwC identify potential savings beyond which a cash payment would fall due.

4 BACKGROUND AND KEY ISSUES

- 4.1 Cabinet on 14th April 2011 approved the engagement of PwC to review major contracts. The agreed reimbursement to PwC was on a 'no win no fee' basis of 15% of the savings they were able to identify. This reimbursement would not be a cash transaction, as the Council had accrued credits with PwC following their work undertaken in 2009-10 on Value Added Tax (VAT) recovery. In order for the accrued credit value of £157,119 to be used up in full PwC would have to identify savings in excess of £1m. Any credits that were not used up would be cancelled because they are now out of time. Although the credits technically expired on 30th June 2011, PwC extended their usage, as a gesture of goodwill, for one month. Given the delays in starting the project, PwC have granted a further full and final extension to the accrued credits to 31 December 2011 or until the end of this project, whichever is the sooner.
- 4.2 PwC's revised offer will mean that the credits are used up after savings of £0.7m have been identified. Only after this figure is reached would the Council be liable for a cash payment to PwC. Should this be likely to happen a further report will be presented to Cabinet. The agreement with PwC also confirms that savings opportunities that have previously been identified and discounted by the Council, or are currently being implemented as part of the Procurement Strategy will not count. Options that PwC do put forward must satisfy the test of deliverability.

5 RELEVANT RISKS

- 5.1 Not agreeing to this amendment will mean PwC will only consider the Biffa contract. It is unlikely savings will be achieved to trigger a cash payment and the unused credits will automatically be cancelled - by virtue of them being out of time. By agreeing to the amendment the scope for savings is increased and therefore the risk of a cash payment falling due to PwC is increased. However this is only in the event of savings being identified above the revised threshold in paragraph 4.2 and accepted by the Procurement Board.

6 OTHER OPTIONS CONSIDERED

- 6.1 No other options were considered in the drafting of this report.

7 CONSULTATION

- 7.1 There has been ongoing dialogue with PwC on this matter.

8 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no direct implications for voluntary, community and faith groups.

9 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 Savings arising from these reviews will be used to help the Council manage within resources.

10 LEGAL IMPLICATIONS

10.1 This engagement has been conducted in accordance with the Council's contract procedure rules.

11 EQUALITIES IMPLICATIONS

11.1 An equalities impact assessment will be considered for all contracts that are changed as a result of these reviews.

12 CARBON REDUCTION IMPLICATIONS

12.1 None.

13 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report

REPORT AUTHOR: *Mike Fowler*
Head of Service (Support Services)
telephone: (0151) 666 3525
email: mikefowler@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

Corporate Procurement Strategy, agreed by Cabinet 2nd June 2011

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet - Contracts Review	14 th April 2011
Cabinet - Corporate Procurement Strategy	2 nd June 2011