



## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Monday, 5 July 2021**

<b>REPORT TITLE:</b>	<b>PROCUREMENT UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES</b>

### **REPORT SUMMARY**

This report informs the Committee of the range and number of contracts awarded which have been subject to Contracts Procedure Rules (CPR's) Rule 17, Waiving the Rules (Rule 12) and Extension/Variation (Rule 13).

The Appendices provide details of the contracts subject to the Extension/Variation or Waiver rules for the period 1<sup>st</sup> October 2020 to 31<sup>st</sup> March 2021, which under Contracts Procedure Rule 17, requires that all contracts which meet the following criteria are reported to Audit and Risk Management Committee on a six monthly basis.

- a) Contract is awarded, the total value of which exceeds £500k
- b) Variation or extension to a contract approved by The Director of Finance and Investment
- c) Waiver of the Contract Procedure Rules in relation to a contract which exceeds £50k in value

The report also includes a summary of the NO PO NO PAY policy progress.

The report supports all pledges of the Wirral Plan as the contracts and transactions referenced have been completed by all Council Departments.

This matter affects all Wards within the Borough.

This is not a key decision

### **RECOMMENDATION/S**

The Audit and Risk Management Committee is requested to note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 To provide the Audit and Risk Management Committee with assurance that the council is taking appropriate measures to comply with Contracts Procedure Rules.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 The other option would be not to report this but we do so to ensure best practice and enhanced governance to reduce risk

### **3.0 BACKGROUND INFORMATION**

- 3.1 Revised Contract Procedure Rules, approved by this Committee, came into effect on the 1<sup>st</sup> April 2016.
- 3.2 The rules place the responsibility for the approval of contracts on officers of the Council.
- 3.3 Each contract is posted on the Council's Contracts Register, The Chest, which is the regional eContracting Portal for North West local authorities
- 3.4 Within the revised Rules, four distinct Procedure Rules Approval Documents of approval are:

Awards  
Exceptions  
Extensions  
Variations

These form the basis of all reports to this Committee in accordance with Rule 17.

- 3.5 The revised rules include the adoption of the Public Procurement Regulations 2015, the Transparency Code 2015 and the requirement to publish all contracts above £5k in value.
- 3.6 There have been 30 Exceptions approved for the period. Requests to waive the CPR's for under Public Contract Regulation threshold contracts (or where the thresholds do not apply) have been authorised only in the following circumstances, supported in all cases by the appropriate evidence;
- a) Goods, services or the execution of works are obtainable from one source or contractor and there is no reasonably satisfactory alternative.
  - b) Compatibility issues such that procurement from another source would be uneconomic given the investment in the previous infrastructure
  - c) A waiver of the rules would be in the interests of the Council, be lawful, and provide value for money

- d) Where there is a legal requirement to deal with a particular supplier
- e) Contracts awarded to suppliers because of exclusive rights

3.7 The details of the approved documents are detailed as follows

Description	Number Approved
Extension	22
Variation	37
Award	7
Exceptions	30

#### 4.0 NO PO NO PAY

- 4.1 The NO PO NO PAY policy was introduced with effect from the 1<sup>st</sup> April 2019 and this report provides details of progress and the measures being applied to address non-compliance.
- 4.2 The policy does not apply to schools as they do not have access to the Council's procurement ordering system.
- 4.3 The analysis compares to the 6 months period 1<sup>st</sup> October 2020 to 30<sup>th</sup> April 2021 to the 2019/20 corresponding period.

Transaction Type	Total Volume	Total Value	Total Volume	Total Value
<b>Period</b>	<b>2019/20</b>		<b>2020/21</b>	
Purchase Order	6,707	£44.5m	7,982	£65.5m
Retrospective Purchase Order	3,209	£16.1m	2,161	£11.9m
<b>All Purchase Order</b>	<b>9,916</b>	<b>£60.6m</b>	<b>10,143</b>	<b>£77.4m</b>
Non Purchase Order (free standing invoices)	1,630	£14.2m	825	£5.0m
External Electronic Files from suppliers	8,860	£6.3m	5,754	£4.9m
Internal Electronic Files from digital systems	23,602	£71.4m	23,579	£82m
<b>Total</b>	<b>44,008</b>	<b>£152.5m</b>	<b>40,301</b>	<b>£169.3m</b>

4.4 The data indicates that that the measures applied so far have had some impact:

- Compliant Purchase Order Volumes have increased in volume and value.

- Retrospective Order volumes have reduced by 33% and values have reduced by 26%
- Free Standing Invoice have reduced by 49% in volume and 65% in value.

#### 4.5 Departmental Analysis - Free Standing Invoices

Department	Invoice Descriptions	2019/20		2020/21	
		Volume	% of all Free Standing Invoices	Volume	% of all Free Standing Invoices
Regeneration and Place/ Neighbourhoods	Certificate of works	61	4%	18	2%
Corporate	Business Travel	36	2%	31	4%
Regeneration and Place	Education Works Invoices	45	3%	39	5%
Adult Care and Health	Public Health	8	0%	0	0%
Neighbourhoods	Transport	555	34%	109	13%
Misc (all departments)	Miscellaneous invoices all departments	925	57%	628	76%
<b>Total</b>		<b>1630</b>		<b>825</b>	

The data reflects significant progress towards the elimination of Free Standing Invoices with numbers reduced in all services with particular improvement in the Transport, and Miscellaneous categories.

#### 4.6 Departmental Analysis – Retrospective Purchase Orders

These are transactions occur when a purchase order has been raised after the invoice has been received.

Department	% of all Retrospective Purchase Orders
Adult Care and Health	1
Children, Family and Education	20
Corporate Office	1
Law and Governance	1
Neighbourhoods	39
Regeneration and Place	27
Resources	11

Although notable reductions have been achieved work needs to continue to improve performance in four of the seven services.

Neighbourhoods  
Children Family and Education  
Regeneration and Place  
Resources

To address this further, members the Corporate Procurement Team have attended Departmental Management Teams (DMT's) and Senior Management Teams (SMT's) for these services but have also conducted further training initiatives and workshops across the organisation

Work will continue with services to reduce and address reliance on RPO's.

## **5.0 FINANCIAL IMPLICATIONS**

- 5.1 There are no direct financial implications arising from this report, however, the appendices detail a total of 96 requests approved in compliance with the Council's Contract Procedure Rules against an overall third party spend of in excess of £250m.
- 5.2 NO PO NO PAY programme will minimise or eliminate exposure to maverick spend and improve VFM from existing and new contracts.
- 5.3 Financial controls reduce the risk of fraud and exposure to the risks identified in section 8

## **6.0 LEGAL IMPLICATIONS**

- 6.1 The Council must comply with its Contract Procedure Rules and relevant procurement legislation, guidance and best practice which will minimise the risk of legal challenge.

## **7.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 7.1 The programme of addressing these issues has received significant levels of support from Procurement Staff to deliver training and workshop initiatives and to provide regular communications and reminders.

## **8.0 RELEVANT RISKS**

- 8.1 Failure to comply with the No Po No Pay Policy exposes the council to a range of risks including:
- Failure to control expenditure with suppliers and providers
  - Duplicate or overpayments for goods, services and works
  - Poor planning and control of contracts
  - Inefficient practices and controls within the services

## **9.0 ENGAGEMENT/CONSULTATION**

9.1 The Corporate Governance Group, Departmental Management Teams, and Senior Management Teams receive monthly analysis of performance against the Contracts Procedure Rules and No PO No Pay Policy

## 10.0 EQUALITY IMPLICATIONS

10.1 There are no equality issues arising from this report, but equality implications are embedded into procurement processes

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and recommendations contained within this report are expected to have no impact on emissions of greenhouse gases

**REPORT AUTHOR:** **Keith Patterson**  
(Keith Patterson, Head of Commercial Procurement)  
telephone:  
email: keithpatterson@wirral.gov.uk

## APPENDICES

Appendix 1 Contract Awards  
Appendix 2 Contract Exceptions  
Appendix 3 Contract Extensions  
Appendix 4 Contract Variations

## BACKGROUND PAPERS

Data reports from the Firmstep Smartforms system, and Oracle iProcurement, General Ledger and Accounts Payable modules.

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	24/09/2018
Audit and Risk Management Committee	23/09/2019
Audit and Risk Management Committee	18/11/2019
Audit and Risk Management Committee	28/01/2020
Audit and Risk Management Committee	10/03/2020
Audit and Risk Management Committee	16/11/2020

**Commented [EM1]:** Font size on appendices do not meet accessibility guidelines