



## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 24 January 2022

REPORT TITLE:	PROCUREMENT UPDATE
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

### 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- Reporting to Members, Waiving the Rules (Rule 12) and Extension/Variation (Rule 13).

This report shows an improving position in terms of No PO No Pay and also reflects lower volumes of Exceptions, Extensions, and variations compared to this period in 2020/21

The Appendices provide details of the contracts subject to the Extension/Variation or Waiver rules for the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 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 Resources
- c) Waiver of the Contract Procedure Rules in relation to a contract which exceeds £50k in value

Appendix 1 – is for noting only and provides a list of contracts awarded. These have been awarded with agreement from the relevant policy and services committees

Appendix 2 – is for noting exceptions granted within compliance with the exception request, within budget and with the approval of the appropriate officers

Appendix 3 – is for noting contract extensions that have been extended where the budget exists for an extension

Appendix 4 – is for noting contract variations that have been agreed under the appropriate approvals and within existing budgets and does not cause a budget overspend

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

The report supports all themes 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 it is reported to ensure best practice and enhanced governance to reduce risk.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Contract Procedure Rules, approved by this Committee, came into effect on the 1<sup>st</sup> April 2016 and were revised in September 2020
- 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 25 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 as follows

Description	Number Approved
Extension	18
Variation	27
Award	13
Exceptions	25

3.8 All of these records are assessed as **Green** for compliance as they have been subject to multiple stages of approval including, Budget Holder, Head of Service, Finance, Procurement, and for Exceptions above £100k, Legal. These exceptions have ensured that services have continued to operate and have not had an adverse impact on the Council's revenue budget and have not led to overspends

3.9 Additional narrative has been included in appendix 4 to provide details of the justification and commissioner comments for variations.

#### 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> April 2021 to 30<sup>th</sup> September 2021 to the 2020 corresponding period.

Transaction Type	Total Volume	Total Value	Total Volume	Total Value
<b>Period</b>	<b>2020</b>		<b>2021</b>	
Purchase Order	6,211	£45.1m	5,932	£42.4m
Retrospective Purchase Order	3,054	£18.1m	1,665	£12.8m
<b>All Purchase Order</b>	<b>9,265</b>	<b>£63.2m</b>	<b>7,597</b>	<b>£55.2m</b>
Non Purchase Order (free standing invoices)	4,840	£27.4m	309	£3.4m
External Electronic Files from suppliers	6,879	£5.9m	5,036	£4.2m
Internal Electronic Files from digital systems	29,829	£71.8m	36,201	£82.2m
<b>Total</b>	<b>50,813</b>	<b>£168.3m</b>	<b>49,143</b>	<b>£145m</b>

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

- Retrospective Order volumes have reduced by 45% and values have reduced by 30%. This performance is rated as **Amber** and reflects the progress made but indicates that further improvement is required
- Free Standing Invoice have reduced by 94% in volume and 88% in value. This performance is rated as **Green** and reflects the significant progress achieved but work will continue to improve further
- Transactions from internal electronic files have increased by 22% in volume and 13% in value. This performance is rated as **Green** as it reflects an increase in electronic transactions which are more efficient to process and manage

#### 4.5 Departmental Analysis - Free Standing Invoices

Department	Category	Volume	Value	% of all Free Standing Invoices	Comments
Regeneration and Place/ Neighbourhoods	Certificate of works	9	£2.4m	2%	Moved to PO June 2021
Corporate	Business Travel	25	£13k	8%	Moving to electronic file
Regeneration and Place	Education Works Invoices	35	£556k	12%	Moved to PO June 2021
Misc (all departments)	Miscellaneous invoices all departments	240	£380k	78%	Electoral Invoices moving to PO
<b>Total</b>		<b>309</b>	<b>£3.35m</b>		

The data reflects further significant progress towards the elimination of Free- Standing Invoices with numbers reduced in all services and further improvements to come from Works invoices and Business Travel. Transaction values for business travel have fallen significantly from an annual contract value of £155k. The value of transactions for Business Travel during this 6 month period was £13k.

Initial Numbers of Free Standing Invoices reported to ARMC in 2019 for this period were 9,271 at a value of £28.9m and in every reporting period since, reductions have been presented, however, this period reflects the most significant levels of improvement.

#### 4.6 Departmental Analysis – Retrospective Purchase Orders

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

<b>Department</b>	<b>Volume</b>	<b>Value</b>	<b>Vol %</b>	<b>£ %</b>
Adult Care & Health	16	£52,486	1%	Less than 1%
Children, Family & Education	462	£2,895,962	28%	23%
Corporate Office	5	£8,609	Less than 1%	Less than 1%
Law & Governance	15	£34,651	1%	Less than 1%
Neighbourhoods	509	£3,949,742	30%	31%
Regeneration & Place	506	£5,009,249	30%	39%
Resources	152	£804,855	9%	6%
<b>Grand Total</b>	<b>1665</b>	<b>£12,755,554</b>	<b>100%</b>	<b>100%</b>

Although notable reductions have been achieved, work needs to continue to improve performance in four of the seven services. These services will be subject to an action plan for improvement which will include

- A single point of contact within the department who will have responsibility for the management of controls to address Retrospective Orders
- Monthly targets to reduce volumes
- Monthly monitoring to establish if targets are being achieved
- Take action to address failed targets
- For continuous missed targets, representation at this Committee.

The action plan will apply to the following departments

Neighbourhoods

Children Family and Education

Regeneration and Place

Resources

To address this further, members the Corporate Procurement Team will continue to attend Departmental Management Teams (DMT's) and Senior Management Teams (SMT's) for

these services and will conduct further training initiatives and workshops across the organisation as necessary

## **5.0 COMMISSIONING AND CONTRACTING PROGRAMME**

5.1 In order to establish improvements in the way that contracts are commissioned, managed, monitored, and controlled, a programme of work is under way that will establish a new, standard, and modern methodology and governance process. This will provide further assurance of the measures being taken to improve compliance, performance, and value for money in contracts and transactions

## **6.0 FINANCIAL IMPLICATIONS**

6.1 There are no direct financial implications arising from this report, and the appendices detail a total of 83 requests approved in compliance with the Council's Contract Procedure Rules against an overall third party spend of in excess of £250m.

6.2 NO PO NO PAY programme will minimise or eliminate exposure to maverick spend and improve value for money (VFM) from existing and new contracts.

6.3 Financial controls reduce the risk of fraud and exposure to the risks identified in section 9

## **7.0 LEGAL IMPLICATIONS**

7.1 The Council must comply with its Contract Procedure Rules and relevant procurement legislation

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

8.1 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.

## **9.0 RELEVANT RISKS**

9.1 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

9.2 Failure to monitor contracts is not good governance and exposes the Council to potential fraud

9.3 risk of litigation if fail to apply procurement legislation and/or Contract Procedure Rules. Risk of services being withdrawn, financial penalties and reputational risk

## 10.0 ENGAGEMENT/CONSULTATION

10.1 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

## 11.0 EQUALITY IMPLICATIONS

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

## 12.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

## 13.0 COMMUNITY WEALTH IMPLICATIONS

13.1 The content and recommendations contained within this report are expected to have no impact on community wealth but the analysis for 2019/20 indicates that 34.59% of third-party Council spend was with local suppliers which reflects the positive impact awarded contracts have on the local economy.

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

## APPENDICES

**These documents are displayed as PDF only and include large amounts of data**

Appendix 1 Contract Award  
Appendix 2 Contract Exception  
Appendix 3 Contract Extension  
Appendix 4 Contract Variation

## 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
Audit and Risk Management Committee	05/07/2021