Expenditure Control Process Update

September 2023

Jo Freeman

A reminder…

Essential Spend Criteria:

- Existing staff payroll and pension costs (approval required through Resourcing Panel led by HROD)

- Goods and services which have already been received

- To support the provision of statutory services at a minimum possible level

- Urgent action required to safeguard vulnerable people

- Existing legal agreements and contracts

- Ring-fenced grant funded activity

- Action required to achieve value for money or mitigate additional in-year costs

What have we done?

- Introduced digital-based business case templates and digital workflows to allow effective decision making by review panels

- Amended procurement request forms to demonstrate compliance to essential spend criteria and implemented SAP approval requirements to proceed with any tender process

- Reviewed and closed blanket purchase agreements (BPA) already in place that did not comply with essential spend criteria – formal requests required to reinstate

- Reviewed purchase card spend at all levels, reduced transactional limits to £500, disabled card usage in some cases

- Held staff briefing sessions, delivered targeted staff training sessions & newsletter updates, set up a dedicated mailbox to manage queries

- Developed board performance dashboards to monitor spend request activity levels

Panel Structure

Strategic Approval Panel (SAP)
Monitoring Officer & Director of Finance
- ✓ Oversight of procurement activity, exisiting, new, modifications
- ✓ All requests exceeding £25k   ✓ Review of grant funding
- ✓ Appeals from ECP

Expenditure Control Panel (ECP)
Senior Finance Lead, Internal Audit, Business Development Team
- ✓ Requests exceeding £500 (approved at directorate level)
- ✓ Expenses   ✓ Fleetmaster (Public Realm)
- ✓ Purchase card spend   ✓ Northgate (Housing)
- ✓ One-time payments   ✓ Sample testing spend <£500
- ✓ Contracts <£25k

Directorate Panels
Director, Finance & Service rep
- ✓ All spending requests exceeding £500

Outside of Scope:
- *Resources Panel manage all recruitment requests*

- *Social Care placements are managed by specific Placements Panels within Children's & Adults Services*
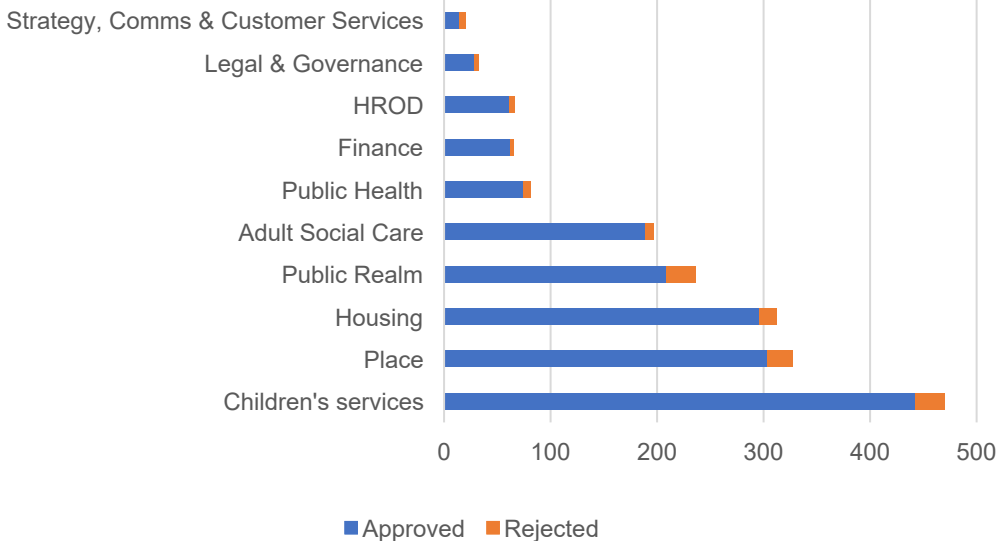
Spending requests received

Between Jan-Aug 2023, the overall number of requests entering the process has steadily declined, this can be attributed in part to increased staff awareness of the financial situation and a better understanding of the essential spend criteria
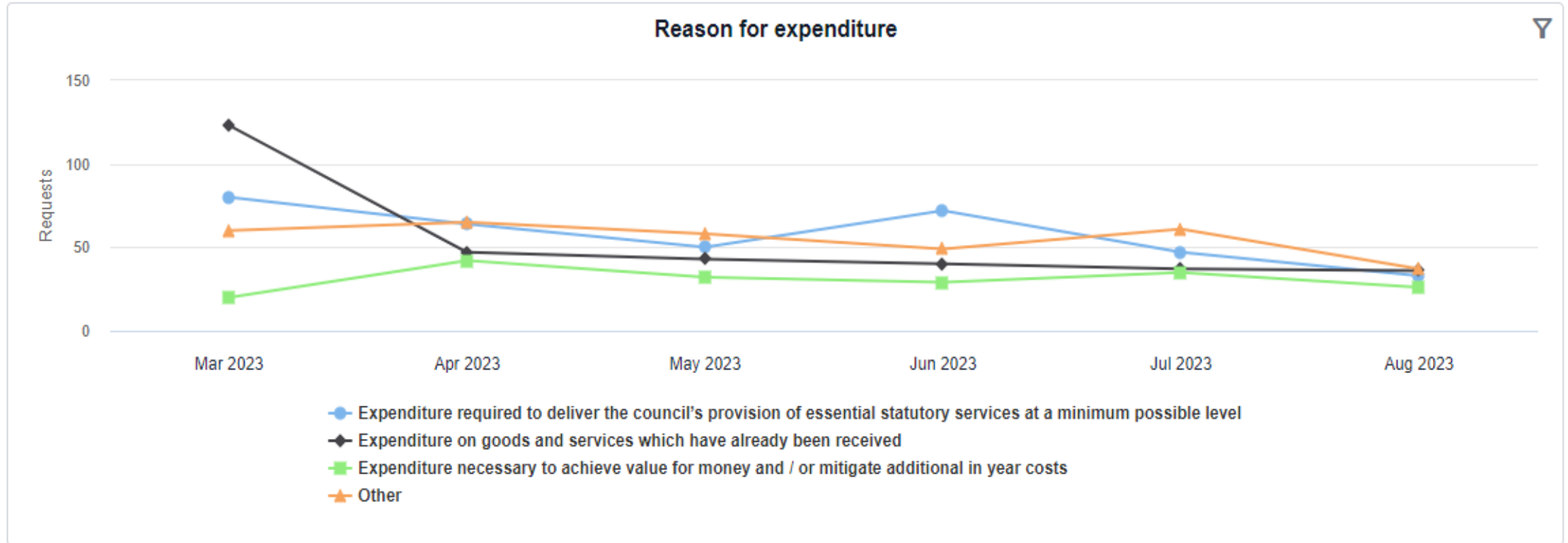
Overall number of requests
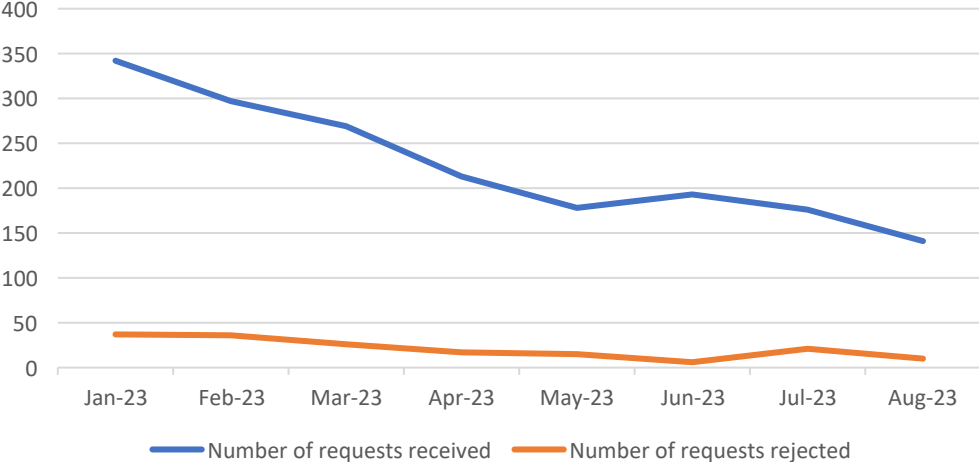
Requests by directorate

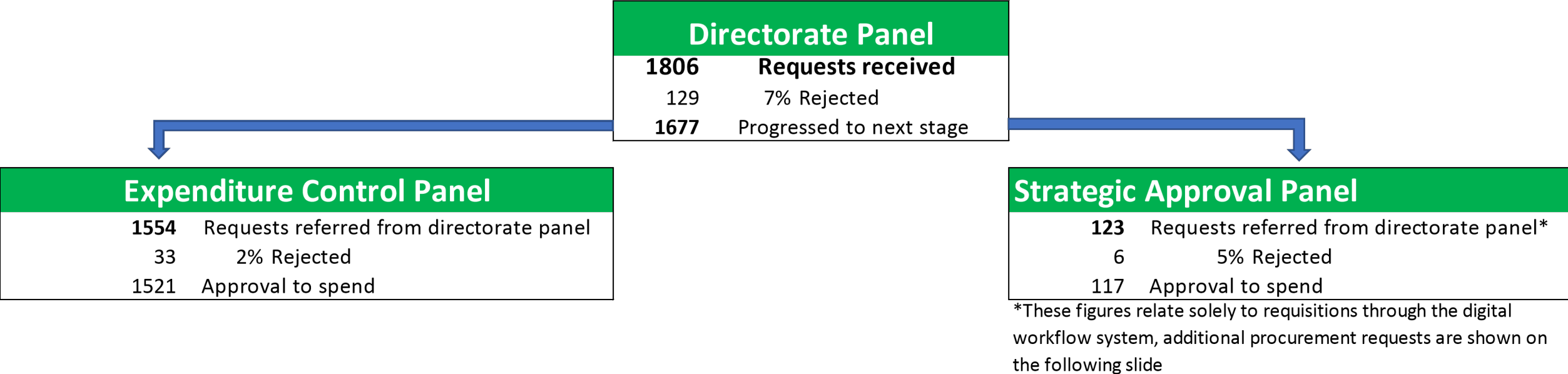An average of 9% of requests are rejected at various points in the process

58% of requests originate from Children's Services (26%), Adults Social Care (11%), Public Health (4%) and Housing (17%).
These Directorates deliver a vast number of services supporting vulnerable people

Reason for expenditure

- In March 2023 a mandatory field was added to the request template to identify with category of spend the request relates

- At the start of the process a large number of requests related to 'goods and services already received,' this has significantly decreased but remains an area to target for further analysis (approval should be sought ahead of engagement with suppliers

- 'Other' category relates to grant funded activity and spend related to existing legal agreements/contracts

Panel Rejections

Directorate Panel

1806	**Requests received**
129	7% Rejected
1677	Progressed to next stage

Expenditure Control Panel

1554	Requests referred from directorate panel
33	2% Rejected
1521	Approval to spend

Strategic Approval Panel

123	Requests referred from directorate panel*
6	5% Rejected
117	Approval to spend

*These figures relate solely to requisitions through the digital workflow system, additional procurement requests are shown on the following slide

- The Directorate panels act as gate-keepers and have rejected 7% of the requests received

- Of the requests that progressed to the next stage in the process, ECP rejected 2% and SAP 5%

Strategic Approval Panel

- The below is based on a sample analysis of panel requests Jul-23, the panel meets on a weekly basis

- The majority of requests to this panel are **before** any spend requests enter the digital workflow system. They are largely requests to progress procurement activity in some form

- Although rejections do not directly lead to budget savings, it is clear there is additional challenge taking place

- Note the values being requested often relate to multiple financial years


Requests by Directorate
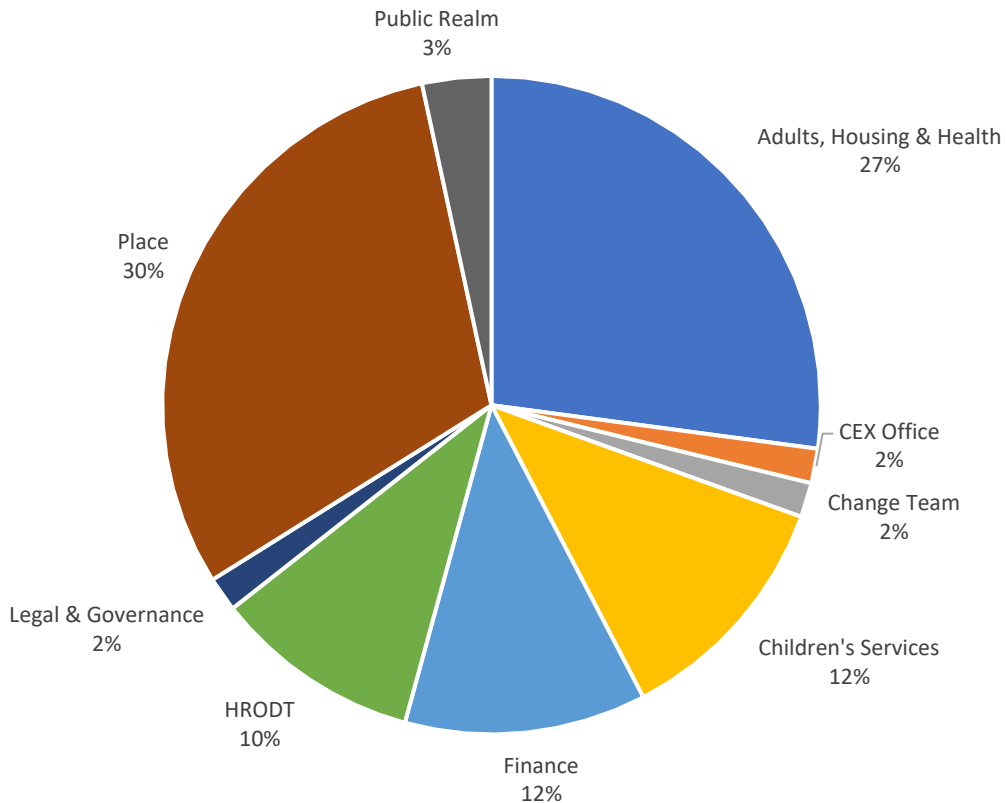
Meeting Date	Number of requests	Number rejected	% number requests rejected	Value requested £'000	Value rejected £'000	% rejections in value terms
06/07/2023	15	5	33%	12,137	976	**8%**
13/07/2023	11	5	45%	3,116	2,770	**89%**
20/07/2023	12	6	50%	2,743	1,430	**52%**
27/07/2023	21	7	33%	4,327	1,889	**44%**
	59	**23**	**39%**	**22,322**	**7,065**	**32%**

Strategic Approval Panel -Rejections

## Number of requests by procurement category
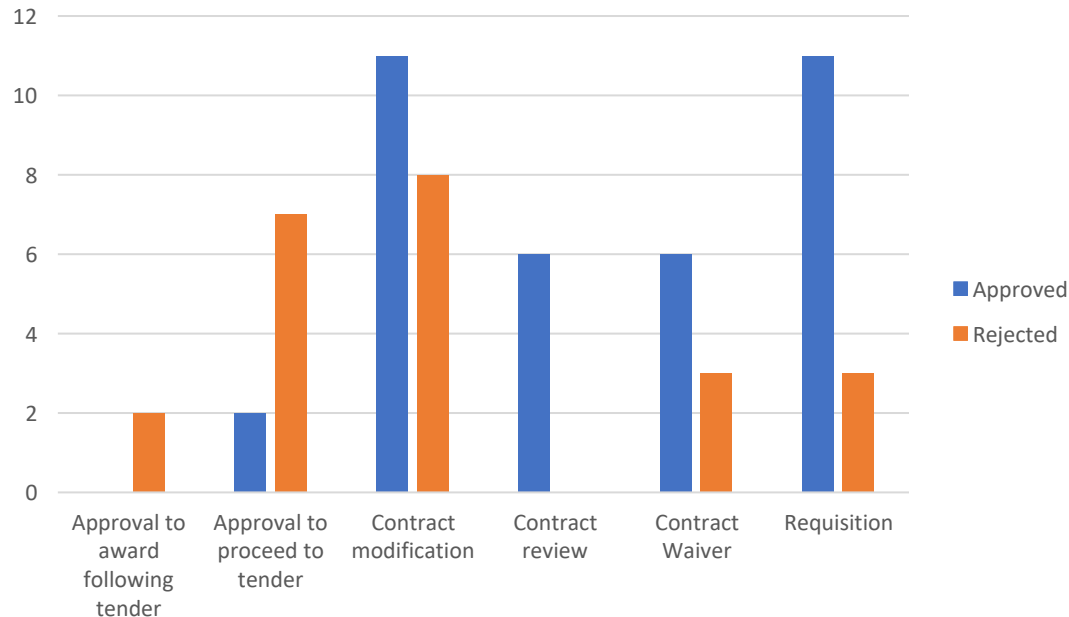
Reasons for rejection (Jul-23 panels)
Check legally obliged to delivery this service
Governance query
More background information required
Potential duplication with exisiting contract
Query how performance will be measured
VFM query. More detail on benefits of the system required
Query if there is already a framework contract
The price split is 60/40, moving away from price focus?
How does this fit in to wider ICT work
Legal query
Query if 3 quotes were sought
Why such increase in estimated cost?
What is the justification for 50/50 price/quality
Is this cost neutral (covered by income generation)
Need to see the initial outcomes of their first piece of work before this is approved
Can this be delivered within exisiting contracts
How does this sit within overarching proposals at SLT?
Process question and cost recovery
Explore alternative options

Items that are rejected may return to subsequent panels once the query has been resolved or changes made to the request

Year on year spend comparison

- This chart relates solely to **supplier spend** across the different invoice sources such as Oracle, Northgate and Controcc.

- There is a 17% reduction in spend between the two time periods. It can be assumed that expenditure control alongside a review of the capital programme have directly impacted spending activity.

- Note. this includes all funding streams (general fund, HRA, grants, capital etc.) and is not a direct correlation to the in-year budget position

Spend with suppliers
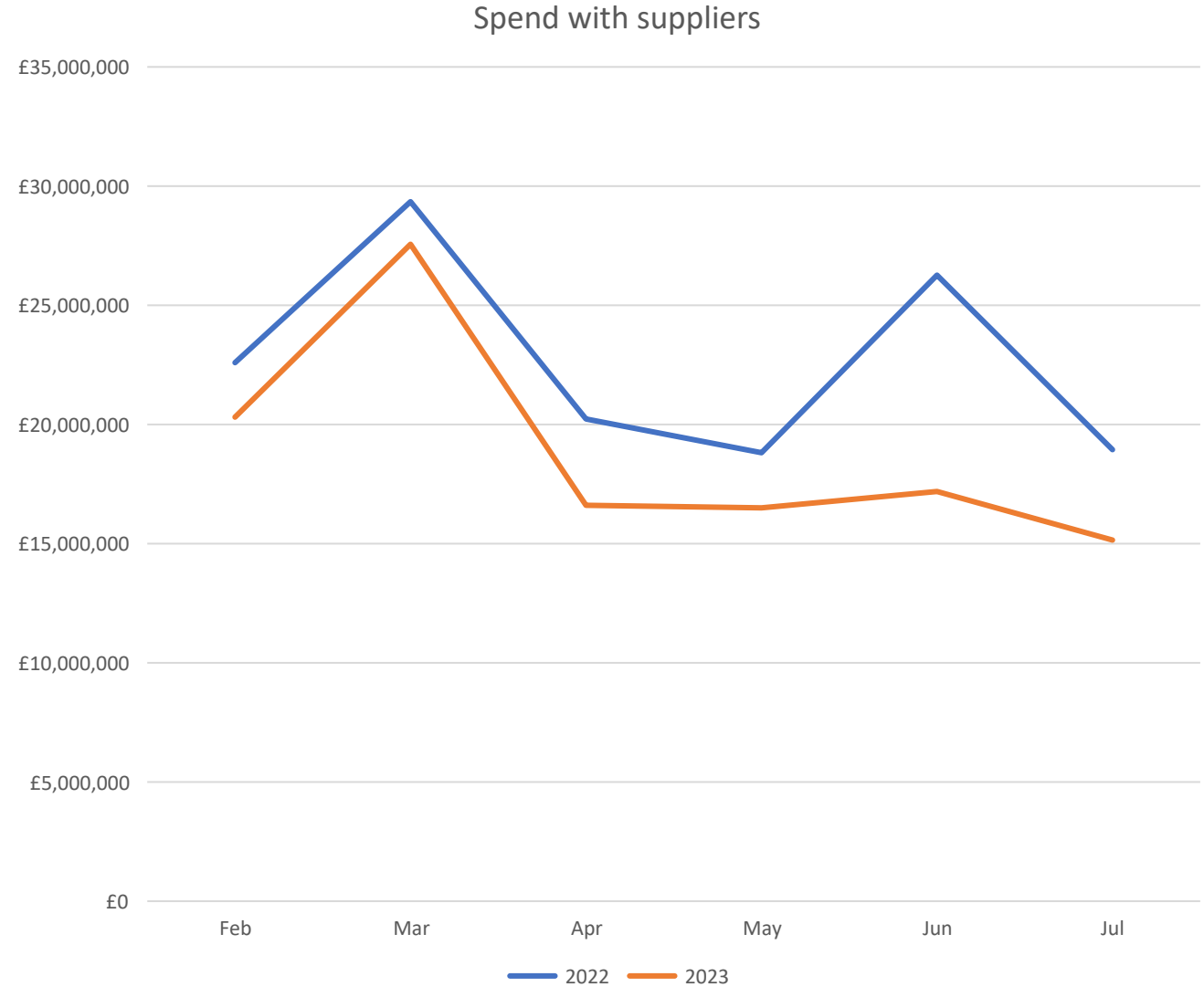
Next Steps…

Continue to challenge spending decisions across the authority in line with current processes
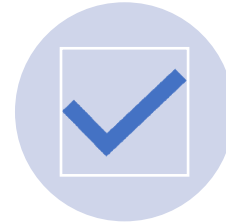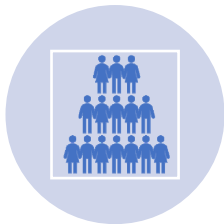
Review feedback following Commissioner review of the process, respond as necessary

Include an assessment of the process on the in-year budgetary position for Quarter 2 reporting (focus on supplies & services and third party spend position)

Continue to develop dashboard reporting through 4Me

Provide FRB with separate progress update for Resourcing/Recruitment Panel (October 2023)