

Governance & Audit Committee Commercial Update

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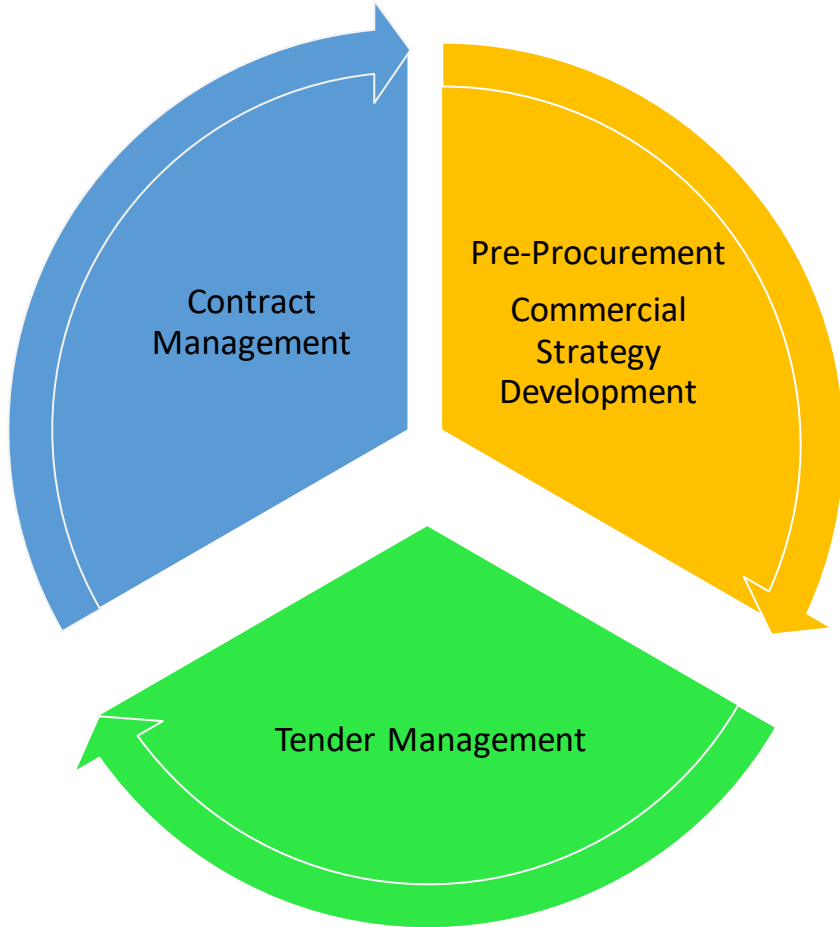
Jan 2024

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Powys

The Commercial Lifecycle – *a reminder*



Council 3rd party expenditure is c£250m per annum.

The Council's commercial activity has traditionally focused on tender processes with limited pre-procurement strategy development and contract management.

Commercial Services is embedding an improvement programme across the full Commercial Lifecycle, ensuring we deliver:

- all contract service objectives,
- reduced supply chain risks and,
- increased benefits realisation, including Social Value & Net Zero.

Contract Management – our approach

Title	Activity
Systems & Processes	<p>A new Contract Management framework has been agreed with the Commercial Performance & Risk Board. This includes a tiering of the Council's contracts portfolio based on value and risks, and ensures we dedicate our resources to our most critical key contracts. This includes applying common processes in how we manage contracts to drive benefits realisation and reduce commercial risks.</p> <p><i>Timeline - Roll out in early 2024.</i></p>
Information & Intelligence	<p>Improved data on our contracts , includes identifying suppliers with commercial risks and putting in place mitigation plans.</p> <p><i>Timeline – in place.</i></p>
Skills	<p>Two training levels:</p> <ul style="list-style-type: none">• Contract Management Training Foundation Level training (c/o Government Commercial College) has been implemented. All Contract Managers responsible for suppliers with £1m+ pa spend to undertake this training. <i>Timeline – in place.</i>• Contract Management Awareness training (c30mins) is under development. <i>Timeline – Q4.</i>
Resources	<p><i>Commercial Services is currently going through a restructure & proposals include a new Strategic Contract Management Officer to drive improved contract management activity across the whole Council.</i></p>

Risk Register 1 of 2

Powys County Council

08January 2024

Risk Register

Procurement			Portfolio	Inherent	Residual	Controls and Actions		
Risk Ref:	Risk Identified	Potential Consequence	Owner			Control or Action	Status	Review Date
PROC0006	IF a supplier goes into insolvency, THEN leaves partially complete contracts (including building programmes.)	The Council is left with partially completed projects which may need to be retendered, likely to result in higher costs and significant delays to project schedules	Cllr David Thomas Wayne Welsby	12	6	<p>001 - Rigorous financial checks undertaken at point of procurement.</p> <ul style="list-style-type: none"> Contract Tiering assessment undertaken at start of procurement project to determine contract risk level and thus the level of financial scrutiny applied. Financial Services would undertake financial review of tender bidders subject to contract tier. Subject to specific procurement, Collateral Warranties from sub-contractors may be included within contract – common in larger construction contracts. Performance bonds may also be included in larger contracts. <p>002 - Ongoing monitoring of key suppliers, Commercial Services works with Finance and Service Areas to review viability of companies.</p> <ul style="list-style-type: none"> Financial Risk Management for all suppliers with an annual expenditure above £250k per annum is undertaken by using Dunn & Bradstreet financial risk reports. Any supplier with a Risk Level 3 (higher than average risk of failure) or Risk Level 4 (significant level of risk of failure) are reviewed, and mitigation plans put in place where applicable. 	Control in Place	31Mar24
							Control in Place	31Mar24



Risk Register 1 of 2

					<p>003 - Contract Managers to manage contracts in accordance with the Contract Management Framework and flag up issues where there arise.</p> <ul style="list-style-type: none"> • Potential Contract Management performance reporting system to be investigated. 	Action in Progress	31Mar24
					<p>004 - The monitoring companies via Companies House reporting</p> <ul style="list-style-type: none"> • Subject to suppliers identified at risk in action 002, and included within the Risk Mitigation Plan, Commercial Services and Finance to obtain updated financial alerts from Companies House as they arise and action with Service Areas and Financial Services as applicable. 	Control in Place	31Mar24
					<p>005 - Strategic Contract Management Officer appointed</p> <p>New Strategic Contract Management Officer included in Commercial Services restructure to lead on overarching approach to contract management, supporting category pillars and service areas.</p>	Action in Progress	31Mar24
					<p>006 - Use of Project Bank Accounts are in place to protect subcontractors</p> <ul style="list-style-type: none"> • Project Bank Accounts are a requested to be put in place as part of Tender Process for construction Works projects above £2m – applicable where duration is greater than 6 months and protects contractors who's work is above 1% of the total contract value. • Where the set-up of a PBA is delayed council contracts have been updated to include requirement for suppliers to provide evidence of payment to subcontractors. • Powys, together with other Council's & RSLs have been experiencing issues in securing PBAs. The national Development Directors Group has written to Welsh Gov to try & get national support to put pressure on Banks to provide this service. 	Control in Place	31Mar24



Thank you

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