

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY  
COMMITTEE**

**DATE: 16 JUNE 2023**

**REPORT TITLE: UPDATE TO WEST OF ENGLAND COMBINED  
AUTHORITY PURCHASE ORDER AND CONTRACT APPROVAL  
LIMITS**

**DIRECTOR: STEPHEN FITZGERALD, INTERIM DIRECTOR OF  
INVESTMENTS AND CORPORATE SERVICES; DAVID GIBSON  
STRATEGIC DIRECTOR OF INFRASTRUCTURE**

**AUTHOR: NUALA WATERS**

### **Purpose of Report**

1. To request the Committee approves an update to the current West of England Combined Authority approval limits for purchase orders and contracts. The current limits are hindering our processing time for contract and purchase order approvals and negatively impacting internal processes for the procurement of goods and services.
2. This request only applies to spend that has been approved by Committee or a delegated forum. To note this paper does not include any requests for additional delegations or powers, it only applies to purchase order and contract approvals. The current approval limits are stated in the West of England Combined Authority Constitution, and therefore the requested amendments need to be approved by Committee

### **Recommendation**

1. To update the West of England Combined Authority's Constitution with the revised approval limits as set out in Table A.
2. It is also recommended that this is subject to the implementation of the Corporate Commercial Procurement Panel and a Corporate Commercial Procurement Board as listed in the Section 3.2 of this report. If there are items that relate to novel, contentious or repercussive, or pose a potential high-risk, additional approvals and control measures will apply to these items. It is the

responsibility of the Head of Service, Finance Business Partners, Senior Responsible Officers and Commercial Procurement team to provide assurance and review to all spend items.

**Table A: Current approval limits listed in the Constitution and recommended scheme**

Level	Current			Recommended		
	Contract Approval	Contract Exemptions	Purchase Order Approval	Contract Signing /Approval	Contract Exemptions	Purchase Order Approval
Programme Mgr in consultation with Commercial Approval Panel				< £50k		< £50k
Head of Service in consultation with Commercial Approval Panel	To EU thresholds	£50k	£25k	<£250k		<£250k
Director in consultation with Commercial Approval Panel			£100k	<£5m	<£100k and Head of Commercial/ Procurement	<£5m
CEO in consultation with Commercial Board	Above EU thresholds	£50k+ up to EU threshold CEO and S73 or Monitoring Officer must approve (Above not permitted)	£100k+	>£5m	>£100k CEO and S73 or Monitoring Officer must approve	>£5m

### Reasons for recommendation

- The current limits are hindering our processing time for contract and purchase order approvals and negatively impacting internal processes for the procurement of goods and services. Given the impact of inflation on costs, it is imperative to improve our processes to secure the best value for money.
- Additionally, the current approval limits for purchase orders and contracts does not reflect the increased portfolio of works that the West of England Combined Authority is required to process. Therefore, an update to the Constitution is sought to address this issue.

### Voting arrangements

- This decision requires unanimous agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Metro Mayor.

## **Background / Issues for Consideration**

### **3. Issues that the current approval levels of purchase orders and contracts**

The West of England Combined Authority Constitution currently has two separate approval limits for contract and procurement spend, as listed below in Table A.

Approximately 5,497 purchase orders and contracts have been processed by the West of England Combined Authority since April 2020. This is expected to increase, as the size and scale of the projects in the West of England Combined Authority delivers grows in size and complexity. Over 194 purchase orders have required authorisation by the Head of Paid Service. The Head of Paid Service is required to sign off any purchase order or contract that is worth £100k and above. This can take up to three weeks.

It is no longer efficient to maintain the current authorisation levels for spend and contracts. Given the impact of inflation on costs, it is imperative to improve our processes to secure the best value for money.

Additionally, the current approval limits for purchase orders and contracts does not reflect the increased portfolio of works that the West of England Combined Authority is required to process. Therefore, an update to the Constitution is sought to address this issue. The amendments we are seeking impact the following sections in the constitution:

- Section 6 – Budgetary Management and Control – Authoriser Limits page B18, B19
- Contract Standing Orders - Appendix 12 Approval limits – page B108

This request does not apply to the authorisation levels in place for grant or operational payments, for which no amendment to the Constitution is sought.

#### **3.1. Current arrangements**

The current approval limits are listed below. As stated above this paper is requesting an update to these limits to improve the administration of purchase orders and contracts for spend which has already been approved by Committee. The West of England Combined Authority will continue to submit funding requests and business cases to the Committee for approvals as per the Assurance Framework.

## **Table B. Current approval level limits for purchase order and contract**

### approvals listed in the Constitution

Current internal approval levels for spend within authorised budgets			
Level	Contract Signing / Approval	Contract Exemptions	Purchase Order approval
Programme Mgr			
Head of Service	To EU thresholds (currently £138,760)	>£50k	>£25k
Director			>£100k
CEO	Above EU thresholds	£50k+ up to EU threshold CEO and S73 or Monitoring Officer must approve	£100k+

### 3.2. Proposal to improve our internal approval levels of purchase orders and contracts:

A review of comparable organisations was conducted to understand how similar organisations conduct their processes. An example of that is listed in Table B below from the West Midlands Combined Authority. A more detailed comparison against other organisations is listed in Appendix A. To note the proposed new limits in Table A mirror those of the West Midlands Combined Authority and are comparable to the limits in place for the Unitary Authorities in the West of England region.

**Table B: West Midlands Combined Authority approval limits**

Level	Contract Signing Approval	Purchase Order Approval
Managers	Not exceeding £50,000	Not exceeding £25,000
Senior Manager	Not exceeding £100,000	Not exceeding £50,000
Heads of Service, Programme Directors	Not exceeding £1million	Not exceeding £250,000
Managing Director Tfw and Responsible Financial Officer	Not exceeding £5million	Not exceeding £1million

(S151) and Metro Programme Director		
Head of Paid Service and Chief Operating Officer and S151 Officer.  Metro Programme Managing Director  Tfwm and S151 Officer and Metro Programme Director	Not exceeding £5million	Not exceeding £5million

It is proposed to update the approval limits of contracts and purchase orders as listed in Table A.

**3.3. Additional key control points for internal approvals of purchase orders and contracts are recommended:**

To ensure that there is adequate and appropriate governance and controls with regards to the approval of purchase orders and contracts, it is proposed to update the West of England Combined Authorities processes with the following additional controls and training:

- Provide refresher training of all staff on their accountabilities to adhere to the controls required to ensure value for money spend is enforced, including the standard of no contract no purchase order no pay.
- Formal establishment of a corporate level Commercial Procurement Board which will oversee any purchases over £500k and a Commercial Procurement Approval Panel which will oversee any purchase under £500k. The function of both the Board / Panel is to ensure that the necessary review and challenge is in place with regards to all external expenditure decisions at key points throughout the commercial lifecycle and will provide transparency and assurance to the West of England Combined Authority Audit Committee on our internal purchasing decisions on an agreed frequency.
- This Board and Panel will ensure the appropriate level of sign off is given to spend items by Legal, Procurement, Commercial and Finance officers. It will also ensure that all decisions to commit expenditure are made compliantly i.e. in line with internal procedures and external legislation for any procurement items. It will also ensure that any items that contain non-standard risk or legal clauses, will continue to require approvals from the West of England Combined Authorities S73, Monitoring Officer, Director,

or the Head of Paid Service, as appropriate.

- This process does not preclude the Metro Mayor from calling in items that are of political interest and sensitivity. A forward plan for contract approvals will be kept and shared to enable this.

## **Consultation**

4. This report was discussed with Unitary Authority S151, S73 and Infrastructure Directors to ensure levels of spend proposed are comparable to practices in other organisations. It was also reviewed by the internal West of England Combined Authorities Corporate Governance Board.

## **Other Options Considered**

5. A number of options were considered:
  - 5.1. Do nothing - this is not considered sustainable and will almost certainly lead to project delivery delays and ineffective use of senior resource and senior meeting capacity.
  - 5.2. Recommended option - The recommendation set out in this paper to delegate Purchase Order and Contract Approvals up to the values listed in Table A above.
  - 5.3. Do less – to increase the approval limits to a lower amount than that listed in Table A. A comparison between the approval limits listed in Table A, with that of other Local Authorities, the limits proposed in this paper are deemed to be the more appropriate. The West of England Combined Authority is primarily a project organisation, the limits proposed in this paper reflect the typical purchases and contracts required for capital delivery programmes.
  - 5.4. Do more – to increase the tolerances and business Case approvals in addition to the purchase order and contract approval limits. This option is not being pursued at this time.

## **Risk Management/Assessment**

6. There is a risk that if the volume of financial transactions increase and the processing time for payments does not improve the West of England Combined Authority will not meet its contractual obligations to our suppliers.
  - 6.1. There is a risk that if insufficient controls are in place that errors in payments and approvals could be made. To mitigate this risk the paper is proposing additional control measures to ensure that this risk is mitigated.

## **Public Sector Equality Duties**

7. Not applicable.

## **Climate Change Implications**

8. The West of England Combined Authority's Climate Emergency Action Plan has been considered in the production of this report. Points of particular relevance have been added to this report and reviewed by the Head of Environment. The updated approval limits will support the more efficient delivery of Environmental projects in the region and is therefore supported.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

**Finance Implications, including economic impact assessment where appropriate:**

9. The approval limits have remained unchanged since the inception of the West of England Combined Authority. Since then, we have had a substantial increase in the grants obtained and income received on a constant basis year on year. This has subsequently led to an increase in the volume and value of transactions, with many routine financial and contractual transactions being escalated to senior staff members. This change would allow a greater proportion of standard financial approvals to be signed off by staff more closely involved in the operational activities. We do not see any impact in risk as a result of these proposed changes. This change was discussed and agreed at the Internal Governance Board meeting in April 2023.

Advice given by: Stephen Fitzgerald, Interim Director of Investment and Corporate Services.

**Legal Implications:**

This is a constitution change and therefore needs a unanimous decision of the West of England Combined Authority Committee.

Report and advice reviewed and signed off by: Tom Clark, Head of Law and Governance.

**Human Resources Implications:**

- 10 Refresher training for all staff on their accountabilities will be rolled out. This will reinforce the due diligence and value for money ethos expected for all staff. These accountabilities reflect those outlined in the West of England Combined Authority Code of Conduct.

Report and advice reviewed and signed off by: Alex Holly, Head of People and Assets

**Land/property Implications**



11 None specifically arising from this report.

Report and advice reviewed and signed off by: Stephen Fitzgerald, Interim Director of Investment and Corporate Services.

**Appendices:**

Appendix A – Comparison table for purchase order and approval limits

**West of England Combined Authority Contact:**

Report Author	Contact Details
Nuala Waters	Nuala.Waters@westofengland-ca.gov.uk

**APPENDIX A**

Level	Current West of England Combined Authority			Recommended West of England Combined Authority			WMCA West Midlands Combined Authority		Bristol City Council	Bath & North-East Somerset
	Contract	Exemptions	PO	Contract	Exemptions	PO	PO	Contract	PO/Contract	PO/Contract
Self-approved by requesting officer or Manager							Not exceeding £25,000	Not exceeding £50,000	Up to £500	Up to £5000
Programme Mgr in consultation with Commercial Approval Panel				< £50k		< £50k	Not exceeding £50,000	Not exceeding £100,000	In excess of £500 but not more than £25k	£5001-£50,000
Head of Service in consultation with Commercial Approval Panel	To EU thresholds	£50k	£25k	<£250k		<£250k	Not exceeding £250,000	Not exceeding £1million	In excess of £25k but not more than £100k	£50001-£100,000
Director in consultation with Commercial Approval Panel			£100k	<£5m	<£100k and Head of Commercial/ Procurement	<£5m	Not exceeding £1million	Not exceeding £5million	In excess of £100k but not more than £250k	£100,001-threshold
CEO in consultation with Commercial Board	Above EU thresholds	£50k+ up to EU threshold	£100k+	>£5m	>£100k+	>£5m	Not exceeding £5million	Not exceeding £5million	In excess of £250k but less than £50k	Above threshold & emergency purchases