

For publication

Procurement

Meeting:	Standards and Audit Committee
Date:	28 July 2021
Cabinet portfolio:	Business Transformation and Customers and Governance
Directorate:	Service Director- Digital, HR and Customer Services

1.0 Purpose of the report

- 1.1 This report provides Standards and Audit Committee with an update on the progress that has been made to strengthen the governance arrangements and performance of the procurement service.

2.0 Recommendations

- 2.1 That Standards and Audit Committee note the positive progress which is being made to address Internal Audit concerns.

3.0 Reasons for recommendations

- 3.1 In May 2020 the Procurement Service received an 'inadequate assurance' rating from Internal Audit and this report provides information to Standards and Audit Committee on the changes which are being made to improve assurance levels.

4.0 Report details

Background

- 4.1 In May 2020 an internal audit of the Council's outsourced procurement service was completed, and the overall assessment following this audit was that the operation provided inadequate assurance and that important controls were not on place or operating effectively, with some key risks not being well managed. Similar assessments have been made by Internal Audit since 2012.

- 4.2 The Chief Executive and Service Director for Digital, HR and Customer Services were asked by Standards and Audit Committee to provide the appropriate resources so that service improvements could be addressed.
- 4.3 A transformation programme manager and programme support officer have been allocated to this work and a transformation programme has been implemented to deliver the required improvements. The programme is being overseen by the Service Director – Digital, HR and Customer Services.
- 4.4 Significant work has been undertaken since the last quarter of 2020 and steps are being taken to address the audit recommendations and improve service delivery.

Progress made against Internal Audit recommendations

Recommendation 1 - completed

It is essential that the council completes an adequate procurement exercise for a future procurement solution prior to the end of the contract extension independently of the DSFS procurement unit to ensure fairness and transparency.

- 4.5 A contractual review of the procurement service has been completed independently and in January 2021 a paper was presented to Joint Cabinet and Employment and General Committee which recommended insourcing the procurement service, in line with a refreshed procurement strategy 2020 – 2023. Joint Cabinet and Employment and General Committee approved this approach.
- 4.6 The contract with DSFS was ended at the end of January 2021 and the service has been delivered in house since February 2021. Three of the six posts proposed in the in-house structure have been recruited and two further apprenticeship posts will be brought into the new service from September. The post of Procurement Manager is expected to be recruited towards the end of 2021 when the existing Transformation Programme Manager will be asked to focus on additional transformation projects.
- 4.7 The Procurement Service is on track to pay for itself and to drive out additional savings. Up to July 2021, the cost of the procurement service has been £54,620. Revenue savings of £90,000 have been

identified to date through procurement activity to offset this cost. In addition, savings have been achieved through effective procurement of capital programme works, with over £300,000 of savings achieved against the capital budgets available.

Recommendation 2 – ongoing over the term of the strategy

It is essential that a procurement strategy is formally adopted and published. Consideration should be given to the strategy being reviewed on an annual basis to ensure it is kept up to date.

- 4.8 A new procurement strategy has been implemented to cover the period 2020 – 2023 and submitted to Joint Cabinet and Employment and General Committee for approval in January 2021.
- 4.9 The strategy covers four key themes:
- **Taking a new approach to procurement.** Grow procurement capacity and capability and develop a modern, agile and innovative procurement service which is responsive to business needs and is compliant with contract procedure rules, the council's constitution and public procurement law.
 - **Embedding social value.** Improve the economic and social wellbeing generated from contracts over and above the delivery of services directly required, at no extra cost. Committed to promoting the real living wage across the Borough, both through example and by using influence with businesses. Seek to implement a procurement policy that explicitly encourages businesses to pay the real living wage to all their employees as a minimum. In addition, commit to improving local job creation and retention and increased spend in the local economy.
 - **Procuring green.** Procurement activity will support the Council's climate change ambition and define clear environmental benefits in ways that are practical and proportionate to the value of the contract.
 - **Delivering value for money and efficiency.** Ensuring the council gets maximum value from every pound that is spent through best value, innovative procurement practice and effective management of contracts from beginning to end.

Adopt a category management approach to procurement which in turn will generate a clearly identified savings strategy.

- 4.10 The Procurement Strategy is published internally on the aspire intranet, and training has been provided to budget managers and procurement officers across the council, so that the new strategy is well understood. The procurement team is now working with colleagues in the Communications and Marketing team to refresh all existing external website information relating to procurement and the new strategy will be incorporated into the revised section of the public facing website. This work will be completed by September 2021.
- 4.11 Progress against the activities in the action plan are being regularly reviewed. The 1st formal report of progress is scheduled for October 2021. Annual reviews of the strategy will formally take place.

Recommendation 3 – complete, but close oversight required during 2021

It is essential that an adequate centralised contract register is created, that all the data from existing contracts registers is collated and that it is maintained detailing all Council contracts over £5000.

- 4.12 In December 2020, the Council bought a dedicated ICT system which is used to log all procurement activity across the Council. The system is supplied by Proactis.
- 4.13 The new ICT system automatically generates the Council's contracts register, removing the need for any manual intervention. The contracts register is compliant with legislation and is published externally.
- 4.14 The system was developed and implemented within five weeks and has been used from January 2021. Training on the system has been provided to all budget holders and procurement officers. Use of the system is now being embedded within service areas and the procurement team members are providing coaching and extra support where needed.
- 4.15 As a control measure, the procurement service has recently requested regular reports showing the spend which has been put through our finance system and which can be cross referenced with our procurement system data. This will enable us to audit that the

procurement system is not being circumnavigated and will provide visibility of non-compliance. This information will enable us to be assured that positive behavioural changes are taking place across the council.

- 4.16 Further ICT enhancements are planned to begin in late 2021 which will reduce the need for manual cross referencing of systems through effective integration of data.

Recommendation 4 – completed. Progress will be monitored over the term of the strategy

It is essential that a comprehensive procurement plan is created to ensure value for money and compliance to the procurement strategy across the council.

- 4.17 The Transformation Programme Manager has developed a programme of work, which will result in delivery of the Council's procurement strategy 2020 - 2023. This programme is on track, with the following key deliverables achieved so far:
- The procurement service has been insourced
 - Key recruitment has been completed, with further vacancies to be recruited during the 2nd half of 2021.
 - A new ICT system has been procured, developed, and implemented, with full engagement of Internal Audit colleagues
 - Process mapping has been completed
 - Implementation of individual performance reports and identification of management information gaps
 - Procurement training has been provided to employees across the Council. Ongoing further training and coaching is being provided.
 - Category management responsibility has been allocated.
 - Detailed spend analysis has been commissioned and is now being undertaken. A prioritised action plan will be in place by September 2021.
 - Customer satisfaction testing has been completed
 - The detailed 2021 procurement workplan has been developed.
 - Business as usual procurement activity has been completed, resulting in ongoing revenue savings of £90,000.
 - Procurement support has been provided when delivering our capital programmes and this has resulted in savings of £348,706 against available budget. Presentations given to Staveley Town

Deal Board and Chesterfield's Property and Construction Group have been positively received.

- 4.18 Activities to be completed over the next quarter are:
- Develop detailed category management plans following spend analysis results
 - Work with the Service Director for Housing to review the Stores function
 - Development of performance dashboards for the service area
 - Auditing service area compliance & providing the appropriate support which will result in behavioural changes
 - Development of training around social value and climate change in procurement
 - Implementation of the contracts management module within our procurement system
 - Implementation of e-evaluations
 - Research, horizon scanning and where appropriate, revision of the procurement strategy, to reflect the procurement green/white paper
 - Exploration and implementation of procurement networking opportunities within the locality
 - Development of a 'meet the buyer' event to encourage local spend increases
 - Recruitment and onboarding of 2 x apprentices
 - Business as usual procurement activity identified within the work plan.

Recommendation 5 - complete, but close oversight is still required during 2021

It is essential that the Council's published contracts register is updated with all contracts held by the council. Considerations should be given to separating the active contracts and expired contracts for further clarity

- 4.19 The Council's contract register is automatically produced via the new procurement system. Expired contracts are archived.
- 4.20 As a control measure, the procurement service receives weekly reports showing the spend which has been put through our finance system and which can be cross referenced with our procurement system data to enable compliance audits to take place.

Recommendation 6 - complete

It is essential that training is provided to all council employees with procurement responsibilities to ensure that the correct procedures are followed and that all staff are communicating with the DSFS procurement unit as required to ensure that the Council's records are maintained correctly

- 4.21 Formal training has been provided to all staff who are involved in procurement activity (90 officers) and procurement training resources are available on the Aspire intranet. E learning modules are also in place. Training has covered:
- The procurement strategy 2020 – 2023
 - Financial regulations
 - Contract procedure rules
 - Procurement best practice
 - How to use the procurement system
 - Procurement process flows
- 4.22 Regular communication between the new procurement service and service managers is in place to determine whether additional coaching or support is required, and this is delivered to meet the needs of service areas.
- 4.23 Service satisfaction questionnaires have been issued to obtain feedback on performance and to determine where we need to deliver differently. Very positive feedback has been received to date. A sample of quotes from staff are
- *I have seen a vast improvement since the service has been brought back in house*
 - *There is clearly still work to be done in terms of maturing the council's procurement processes and ensuring that we are far more proactive. However, I am confident that we now have a great team on board and that the required improvements will be made*
 - *Great alignment with Council values of Can Do, Customer focussed and one council one team*
 - *Procurement provided a very good presentation to the construction and property forum advising how local business can register and on the benefits of the portal. I look forward to working in the team in the future, especially in relation to*

securing social value outputs for the town through procurement

Recommendation 7 – in progress

A review of the Council's spend should be conducted to ensure that contracts are in place where needed. Where contracts are not correctly in place these should be added to the procurement plan.

- 4.24 The Procurement Support Officer has completed interim data analysis which has already informed future efficiency opportunities for 2021. A procurement review of photocopier provision across the authority has resulted in ongoing revenue savings.
- 4.25 Further procurement reviews of printing and postage and telephony provision (desktop, contact centre, mobile) across the authority are also underway and it is expected that opportunities for savings will be realised from this work. A specific review of our Stores function will be undertaken shortly, and this is also expected to provide opportunities for service improvements and to realise savings.
- 4.26 In addition, an external review of spend has been commissioned and this will be completed by September. Detailed action plans will be developed off the back of this work.

Recommendation 8

Where KPI's are agreed between the Council and DSFS Procurement Unit, these should be monitored on a regular basis to ensure adequate service provision.

- 4.27 This recommendation is no longer relevant as the service is no longer provided by DSFS.
- 4.28 The procurement service area is currently developing a balanced scorecard of Key Performance Indicators and performance dashboards which demonstrate performance. These will be completed in the next quarter. Progress will be reported to the Council's Corporate Management Team, Finance and Performance Board and Standards and Audit Committee.

Recommendation 9

Consideration should be given to making the contract standstill period optional, to enable instances where contracts are below OJEU (now FTS) threshold and are required at short notice to be issued without undue delay

- 4.29 Having a contract standstill period is 'best practice' and it is possible that this will become mandatory as part of the recent procurement green paper. We are trying to change culture so that procurement is effectively managed and planned, so there should be very few times where we need to contract at short notice. We have therefore chosen to build the 10-day standstill period into our processes. We will however keep this decision under review, and if it is not made mandatory when procurement legislation changes we will revisit the approach.

Recommendation 10

It should be ensured that all council procurement is compliant with the following:

- *Public Contracts Regulations 2015*
- *Contract Procedure Rules*
- *OJEU (now FTS) Regulations*

- 4.30 Implementation of a new ICT solution which captures all procurement activity provides the Council with enhanced reporting and control measures and this significantly improves the likelihood of compliant procurement.
- 4.31 The procurement waiver process has been jointly reviewed with legal colleagues and enhanced so that the procurement team are involved at an early stage.
- 4.32 Recruitment of CIPS qualified procurement officers is ensuring that services are receiving robust guidance about how to achieve a compliant procurement process.
- 4.33 Training of employees has helped to raise awareness around the procurement rules and Service Directors are supporting and reinforcing the need for compliance.

- 4.34 The business intelligence that we have obtained from our procurement system highlights that we still have some way to go to ensure that all procurement activity is compliant. However, the data that we are now able to produce, places us in a strong position and helps us to target and prioritise appropriate interventions at an early stage.
- 4.35 The procurement support officer is completing audits of activity on a regular basis and this data is also used to provide feedback and coaching and to drive out appropriate behaviour change.
- 4.36 Regular quality sampling will be completed, and the results will be reported as a Key Performance Indicator moving forwards.

5.0 Alternative options

- 5.1 This report is written to provide Standards and Audit committee with a progress update and alternative options are not relevant.

6.0 Implications for consideration – Council Plan

- 6.1 Effective procurement underpins the activities which are required to support the successful delivery of the Council Plan. The progress which is being made to improve the governance and controls relating to procurement activity gives greater assurance that the procurement of goods, services and works which support our council plan priorities can be achieved in a compliant manner.

7.0 Implications for consideration – Financial and value for money

- 7.1 Spend analysis is being completed and a savings strategy developed which aims to cover the costs of the procurement service and drive out additional revenue savings of £200,000 by the end of 2023.
- 7.2 To date the procurement service has cost £54,620. Revenue savings of £90,000 have been generated and will be removed from budgets during the 2nd quarter of the year.

8.0 Implications for consideration – Legal

8.1 The council has an obligation to comply with a wide variety of procurement legislation alongside the Council's own constitution and standing orders. The activities detailed in the procurement transformation programme will strengthen our compliance position.

9.0 Implications for consideration – Human resources

9.1 The council has successfully recruited to three of the posts within the procurement structure. All the recently recruited staff are CIPS qualified.

9.2 An interim resource was recruited to support implementation of the procurement system and smooth the transfer of service from DSFS to Chesterfield Borough Council. The support is no longer required, and the interim contract has been ended.

9.3 Recruitment of two apprentice procurement officers will take place in the 3rd quarter of the year.

10.0 Implications for consideration – Risk management

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Risk of non-compliance with legislation	High	Medium	Training for key officers Processes developed which take account of governance and audit controls required	High	Low
Ability to deliver sufficient savings	High	High	Spend analysis completed Savings strategy developed and progress monitored	High	Medium

Failure to change the culture and behaviour of employees who are responsible for procurement activity	High	High	Training, coaching and support provided. Regular quality audits are being completed Implementation of appropriate interventions into key services	High	Medium
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11.0 Implications for consideration – community wellbeing

- 11.1 The structure of the new procurement team takes account of the requirement to deliver the activities specified in the Procurement Strategy 2020 – 2023.
- 11.2 A key theme within this strategy is to increase the level of social value generated through procurement activity. Social value measures can support community wellbeing through a range of actions including the creation of local jobs, training and tackling digital exclusion.
- 11.3 A social value policy will be developed during 2021.
- 11.4 Procurement contracts are evaluated on their ability to deliver social value as well as quality and price.

12.0 Implications for consideration – Economy and skills

- 12.1 Effective procurement, targeted at local suppliers, should have a positive impact on the local economy. So far this year, 20% of the contracts we have let have been to local suppliers. Meet the buyer and local business engagement events are being targeted to support improvement in local spend.

13.0 Implications for consideration – Climate Change

- 13.1 Considering how all that we do impacts on climate change, promoting carbon reduction and sustainability is another targeted priority in the Procurement Strategy 2020 – 2023 and work will be undertaken to raise awareness of the work we are doing during the 2nd quarter of 2021

14.0 Implications for consideration – Equality and diversity

- 13.1 The council will ensure that equality and diversity implications are considered during recruitment to vacant posts.
- 13.2 Key equality and diversity measures have been developed and are assessed in all procurement evaluations over £5000

Decision information

Key decision number	N/A
Wards affected	All wards

Document information

Report author	
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Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
Management information taken from the procurement system	
Appendices to the report	
None	