

Procurement Assurance Report 2021/22

Date: 29th July 2022

Report of: Head of Procurement and Commercial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

This is the annual report to the Committee concerning the Council's procurement function.

Recommendations

Members are requested to:

- a) Consider and note the assurances provided in this report from the review, assessment and on-going monitoring carried out;
- b) Note that the Head of Procurement and Commercial Services has reached the opinion that procurement policies and practices are up to date, fit for purpose, and effectively communicate; and
- c) Not the ongoing P2P Review.

What is this report about?

1. The Council's procurement function ensures that the Council is able to deliver the 3 pillars of the Council's Best City Ambition. The goods, works and services we chose to buy and commission, the suppliers we select, the influential relationships we maintain with those suppliers, and the commercial opportunities we offer can help deliver inclusive growth, improve the health and wellbeing of local people, and support the push toward zero carbon.
2. This is the annual report of the Head of Procurement and Commercial Services to the Committee, concerning the Council's procurement function, and provides assurances that the Council's arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.
3. Members are asked to consider the ongoing work to review the Council's entire "procure to payment" processes as part of the Core Business Transformation Programme (the P2P Review) in order maintain effective procurement support, including appropriate training and guidance, and efficient systems and processes.

4. The P2P Review seeks to further improve the efficiency and effectiveness of the Council's procurement, contract management and invoice processing function, in order deliver the key areas of the Council's Procurement Strategy:
 - a) Value for money, and efficiency
 - b) Governance – legal compliance and managing risk
 - c) Social Value and the Real Living Wage
 - d) Commercial opportunities
 - e) Supplier engagement and contract management.

What impact will this proposal have?

5. The report provides assurance as to the effectiveness of the Council's procurement arrangements. Further detail is included in the Procurement Statement (at Appendix A), however of particular note:

- a) Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for. The Executive Function of setting, supporting and monitoring policies and procedures for managing procurement and purchasing is delegated to the Director of Resources, with further sub-delegation to the Head of Procurement and Commercial Services. Procurement and Commercial Services is accountable for provision of professional support to complex procurement activity.
- b) External spend in 2021/22 was £957,753,222 (a reduction of c£40m on the preceding year which was inflated as a consequence of Covid-related grant and support funding).
- c) A refresh of the Council's Contract Procedure Rules (**CPRs**) is currently underway with a view to (amongst other things) strengthening rules relating to Social Value and contract management, and facilitating a more flexible and responsive approach to low value spend where there is urgency or where spend relates to goods for resale by the Council. CPR training for Council staff continues, including an online interactive tool and guidance document on Insite.
- d) Regarding compliance:
 - i. There have been no formal procurement challenges in the period to which this report relates;
 - ii. On-contract spend remains strong and there is general compliance with procurement policies, with on-contract and compliant expenditure standing at 98.5% for the 2021/22 financial year (up from 95.6% in the previous year); and
 - iii. The number of waivers of CPRs in 2021/22 was 37 (down from 60 in the previous year).
- e) The P2P Review continues, with particular focus on improving contract management and developing best contract management practice across the Council. A P2P Review update is at Appendix B.
- f) A framework for delivering Social Value in all the Council's procurements is now established, with a Social Value Board, Social Value Guidance for Commissioners, and Social Value support from PACS and Social Value Portal. Delivering Social Value is well embedded in the Council's higher-value procurement activity, though there remains work to be done to improve further. Expenditure with local suppliers and SMEs equated to 63.8% of total expenditure in 2021/22 (down from 65.88% in the previous year).

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

6. The Council's procurement function (including in relation to delivering additional Social Value through procurement) ensures that the Council is able to deliver the council's three Key Pillars.
7. The Procurement Strategy was specifically drafted in response to the Best Council Plan, and continues to respond to the Best City Ambition.
8. Individual procurements help deliver the Council's Best City Ambition and breakthrough priorities.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

9. A third annual report in relation to Social Value was provided to Strategy and Resources Scrutiny Board in February 2022. In addition, a report updating on contractual performance levers and the proposals to improve contract management best practice was provided to Strategy and Resources Scrutiny Board in June 2022.
10. The annual CPR review involves wider consultation involving commissioners, Internal Audit and Corporate Governance. Third sector representatives are periodically asked whether any barriers exist to small/third sector organisations, and any comments are fed into the document reviews. Third sector representatives and the People's Commissioning Strategic Group also continue to be consulted in respect of Social Value. The Survey of Internal Control received 188 responses from across the Council in relation to procurement controls.
11. The P2P Review has been developed following an LGA facilitated peer-review of the Council's procurement activity (including participation by the Leader and Cllr Scopes (in his former role as Chair of this Committee) and is the subject of Council-wide consultation as part of the Core Business Transformation Programme.
12. Seeking opportunities for procurement savings is subject of oversight by BCT: Financial Challenge.

What are the resource implications?

13. The systems and processes anticipated by the Procurement Strategy (and the documented KPIs) represent an appropriate use of resources and are good value for money. Additionally, the procurement activity supported enables both cashable and non-cashable savings to be made in the commissioning lifecycle.
14. Opportunities to add further value from the Council's procurement activity are currently under consideration.

What are the key risks and how are they being managed?

15. The systems and processes that form part of the Council's procurement framework are currently functioning well. One of the Resources risks relates to risk of procurement challenge. As set out above there have been no formal challenges to procurement activity in the year to date, and work is continually undertaken to ensure the tender evaluation guidance is embedded through training and monitoring.

What are the legal implications?

16. The arrangements put in place through the Procurement Strategy, CPRs and procurement tools and documentation meet all legal requirements.
17. This report is not eligible for call-in.

Options, timescales and measuring success

What other options were considered?

18. This report is a valuable source of assurance for the Committee and enables democratic oversight of the Council's procurement arrangements.
19. Options for improving effectiveness and efficiency of the Council's procurement arrangements are currently under consideration as part of the P2P Review.

How will success be measured?

20. Opportunities for improvement will be measured against "best practice", and the Procurement Strategy KPIs.

What is the timetable and who will be responsible for implementation?

21. The P2P Review is the subject of an action plan to be delivered through to September 2024 (though with a number of actions capable of immediate/earlier implementation).

Appendices

22. A – Procurement Statement
23. B – P2P Review Update

Background papers

24. None