

Procurement Assurance Report 2022/23

Date: 27th November 2023

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 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.

The Committee is asked to consider the ongoing work to review and refine the Council's "procure to payment" processes as part of the Core Business Transformation Programme (the **P2P Review**) in order maintain effective procurement support and practices, including appropriate training and guidance, and efficient systems and processes.

Recommendations

- 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 communicated; and
- c) Note the ongoing P2P Review.

What is this report about?

- 1 This is the annual report to the Committee concerning the Council's procurement function.
- 2 This report provides assurance that the Council's procurement 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 and refine the Council's "procure to payment" processes as part of the Core Business Transformation Programme (the **P2P Review**) in order maintain effective procurement support and practices, including appropriate training and guidance, and efficient systems and processes.

What impact will this proposal have?

- 4 The report provides assurance as to the effectiveness of the Council's procurement arrangements. Detail is included in the Procurement Statement (Appendix A), however 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, purchasing and contract management is delegated to the Director of Strategy and 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 2022/23 was £1,121,223,464. While this was a c£65m increase on the preceding year, this increase was as a consequence of external spend which the Council is unable to influence (made up mainly of spend by schools). External spend in 2022/23 which was open to competition was identical to 2021/22, at c£879m.
 - c) The Council's Contract Procedure Rules (**CPRs**) are reviewed annually and changes in 2022/23 included 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. A more comprehensive refresh is currently underway as part of the broader review of the Council's constitution with a view to simplifying and making them more user friendly. This refresh will also include associated training and guidance, particularly in relation to lower value spend where capacity for PACS to support services is limited.
 - d) Regarding compliance:
 - i. There have been no formal procurement challenges in 2022/23;
 - ii. On-contract spend remains strong and there is general compliance with procurement policies, with on-contract and compliant expenditure standing at 96.03% for the 2022/23 financial year (marginally down from 97.11% in the previous year, but significantly in excess of the sector benchmark of 90%); and
 - iii. The number of waivers of CPRs in 2022/23 was 23 (down from 37 in the previous year).
 - e) The P2P Review continues, with particular focus on improving contract management/developing best contract management practice across the Council, and opportunities to utilise technology to deliver greater efficiency and effectiveness across the whole contract lifecycle (from initial procurement to operation and contract management). An updated action plan has been developed – see Appendix A.

- f) A framework for delivering Social Value in all the Council's procurements has been established for a number of years now and is well embedded in relation to the Council's higher-value procurement activity. Difficulties have been experienced in monitoring and ensuring delivery of Social Value commitments, and therefore steps have been taken to in-source all aspects of Social Value activity (including evaluation of SV proposals and monitoring the delivery of commitments). Expenditure with local suppliers and SME's equated to 63.4% of total expenditure in 2022/23 (63.8% in the previous year).

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

Health and Wellbeing Inclusive Growth Zero Carbon

- 5 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 choose 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.
- 6 The Procurement Strategy (2019 – 2024) was specifically drafted in response to the Best Council Plan, and dovetails with other relevant strategies such as the Inclusive Growth Strategy. The developing updated Procurement Strategy will similarly respond to the Best City Ambitions.
- 7 Individual procurements support most/all of the Council's priorities and breakthrough projects.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 8 The annual report in relation to Social Value was provided to Strategy and Resources Scrutiny Board in February 2023. Amongst other things, the report also updated Strategy and Resources Scrutiny Board as to progress in developing a Council-wide best practice approach to contract management and a general update on the P2P Review.
- 9 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 responses from across the Council in relation to procurement controls.
- 10 The P2P Review has been developed following an LGA facilitated peer-review of the Council's procurement activity, and is the subject of Council-wide consultation as part of the Core Business Transformation Programme. More recently it is informed by market research, particularly in relation to procurement and contract management systems.
- 11 Seeking opportunities for procurement savings is subject of oversight by BCT: Financial Challenge.

What are the resource implications?

- 12 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 across the contract lifecycle.

- 13 Opportunities to add further value from the Council's procurement activity are currently under consideration.
- 14 Internal resource is currently supplemented by Go4Growth (review of CPRs and related training/guidance) and EY (identification of savings opportunities).

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 adequately. One of the directorate risks relates to risk of procurement challenge and (as set out above) there have been no formal challenges to procurement activity in the year to date. Work is continually undertaken to ensure that effective procurement processes, responding to regulatory requirements and best practice developments, are embedded through training and monitoring.
- 16 However, procurement processes for lower value procurements are perceived to be complex and access to useful procurement and spend data to inform decision making requires significant manual intervention. Processes and systems reviews are currently underway as part of the P2P Review to ensure that procurement across the Council is efficient and effective.
- 17 In addition, effective contract management across the Council is limited, leading to value seepage under Council contracts. Best practice guidance and systems are under development.

What are the legal implications?

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

Options, timescales and measuring success

What other options were considered?

- 20 This report is a valuable source of assurance for the Committee and enables democratic oversight of the Council's procurement arrangements.
- 21 Opportunities for improving effectiveness and efficiency of the Council's procurement arrangements are currently being delivered as part of the P2P Review.

How will success be measured?

- 22 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?

- 23 An updated P2P Review action plan, including timetable is included in Appendix A. The Head of Procurement and Commercial Services is responsible for implementation.

Appendices

- A – Procurement Statement

Background papers

- None