

Procurement Review Update Report

Date: 26th November 2021

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

What is this report about?

Including how it contributes to the city's and council's ambitions

- The annual report of the Head of Procurement and Commercial Services was provided to the Committee in July 2021, which provided assurances that the Council's procurement arrangements are up to date, fit for purpose, effectively communicated and routinely complied with (the **Annual Procurement Report**).
- One of the recommendations of the Annual Procurement Report was that the Committee should note:
 - the ongoing work to review the Council's entire "procure to payment" (**P2P**) processes in order to maintain effective procurement support, including appropriate training and guidance, and efficient systems and processes,
 - the proposal from the recent Peer Review of the Council's procurement function that was facilitated by the LGA in June 2021 (the **LGA Peer Review**) to focus resource on delivering greater strategic value from procurement activity; and
 - that a further report would be provided to the Committee with detail in this regard.
- In addition, the Annual Procurement Report gives an update of the amendments made to the Council's Contract Procedure Rules (**CPRs**) following the annual review. Following the review this year, an inconsistency was identified between Article 14 of the Constitution (Finance, Contract and Legal Matters) and Article 13 of the Constitution (Decision Making). Article 13 sets the upper value for an Administrative Decision at exactly £100K, and a simplified decision process applies for Administrative Decisions. Article 14 similarly provides a simplified process for signing lower value contracts, but that process only applies in relation to contracts valued under £100K. Consequently, for contracts valued at exactly £100K, Article 13 allows a simplified process in relation to decision making, but Article 14 currently requires a more complicated process for signing the same contract.
- This report provides:
 - an update as to progress made in relation to the P2P review (including dovetailing the P2P review with recommendations from the LGA Peer Review and seeking to deliver greater strategic value from procurement activity) and
 - This report seeks cross-party consultation on resolving the anomaly between processes relating to decision making and signing for contracts valued at exactly

£100K, by extending existing the simplified contract signing process to also apply to contracts valued at exactly £100K.

- The Council's procurement function aims to support the Council's Best City ambition of "Strong Economy and a Compassionate City". 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 strengthen the local economy and improve the wellbeing of local people. Further, the P2P review responds to the Council's Best Council ambitions, by seeking to improve efficiency and enterprise in procurement, delivering effective partnership working and commissioning, high quality and locally integrated public services, supporting those most in need, engaging with communities and individuals, and making the best use of our resources.

Recommendations

Members are requested to:

1. note the contents of this report; and
2. provide comments on the proposal extend the existing the simplified contract signing process under Article 14 of the Constitution to also apply to contracts valued at exactly £100K, and thereby align with the Administrative Decision making process values under Article 13 of the Constitution.

Why is the proposal being put forward?

- 1 This report provides an update as to progress made in relation to the P2P review (including dovetailing the P2P review with recommendations from the LGA Peer Review and seeking to deliver greater strategic value from procurement activity). In accordance with the Corporate Governance Code and Framework, the P2P review seeks to review the efficiency and effectiveness of all P2P related processes in order to ensure compliant procurement activity, to deliver value for money in relation to external spend, and to have the capacity/capability to be effective.
- 2 In addition, whilst consulting with Internal Audit on the proposed changes to CPRs it came to light that there is an anomaly between Finance, Contract and Legal Matters) and Article 13 of the Constitution (Decision Making), as described above. Extending the existing simplified contract signing processes under Article 14 by 1p to include contracts valued at exactly £100K, will align with the simplified decision making processes in relation to Administrative Decisions under Article 13, ensuring clarity and efficiency.

What impact will this proposal have?

Wards affected:

Have ward members been consulted?

Yes

No

- 3 The ongoing 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 consultation and engagement has taken place?

- 4 Together with senior officers from across the Council, both the Leader and Cllr Scopes (as former Chair of this Committee, and Chair of Scrutiny Board) participated in the LGA Peer Review. A full list of those involved is included in the LGA Peer Review report at Appendix 3.
- 5 The P2P review is the subject of Council-wide consultation as part of the Core Business Transformation Programme.
- 6 Seeking opportunities for procurement savings is subject of oversight by BCT: Financial Challenge, and feeds into the overall Council budget-setting process.
- 7 The Executive Member has been consulted on the proposed change to Article 14 of the Constitution and is supportive of seeking comments through this Committee to ensure cross-party consultation on the proposed change is achieved.
- 8 As noted elsewhere, this is a follow up report to the Procurement Assurance Report provided to this Committee in July 2021. In addition, annual Social Value reports are provided to Scrutiny Board.

What are the resource implications?

- 9 The systems and processes anticipated by the Procurement Strategy 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. The Procurement Strategy however recognises that resource constraints mean that we are currently not able to concentrate on all procurement categories as much as we would like, and that may have an adverse impact on the Council's ability to obtain value for money in terms of both costs and in respect of fully delivering the wider outcomes that could be achieved through increased social value.
- 10 The P2P review presents opportunities to draw further value from the Council's procurement activity, while adopting more efficient processes. Further, early indicators are that investing in further commercial resource will help maximise value and ensure delivery of anticipated outputs from the Council's commercial activity (i.e. "invest to save").

What are the legal implications?

- 11 While the P2P review has resulted in some reallocation of resource from compliance checking to areas delivering greater strategic value from procurement activity (including development of new systems and processes), it is not anticipated that the governance arrangements will be adversely impacted and the Procurement Strategy, CPRs and procurement tools and documentation meet all legal requirements.
- 12 Further, the review and refresh of the Council's procurement processes will ensure that they are fit for purpose with a view to improving compliance as well as efficiency. Similarly, improving contract management arrangements across the Council will also deliver benefits from a governance and compliance perspective. Finally, improving P2P systems will facilitate compliance by the Council with the anticipated broadening of Council reporting requirement when the Government introduces its new procurement regulations (anticipated in 2023).

13 Article 15.2.3 allows clarificatory changes to the Council's Constitution to be made by the City Solicitor. Cross-party consultation via this Committee will facilitate such an amendment by the City Solicitor in relation to Article 14.

14 This report is not eligible for call-in.

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, however they include significant levels of manual processing and are inefficient. One of the aims of the P2P review is to improve this.

16 One of the Resources directorate risks relates to risk of procurement challenge, and it is anticipated that improving processes and systems will further reduce the risk of 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.

17 One of the actions identified as part of the P2P review is development of a procurement risk register.

Does this proposal support the council's three Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

18 The Council's procurement function (including in relation to delivering additional Social Value through procurement) ensure that the Council is able to deliver the council's three Key Pillars.

19 Effective procurement activity supports the Council's ambitions of a strong economy and a compassionate city, and the Procurement Strategy is specifically drafted in response to the Best Council Plan. Individual procurements support most/all of the Council's priorities and breakthrough projects.

Options, timescales and measuring success

What other options were considered?

20 A "do nothing" option was considered and discounted. Options for developing P2P systems are currently the subject of a competitive procurement process, and developing contract management best practice is the subject of ongoing research and consultation.

How will success be measured?

21 Opportunities for improvement will be measured against "best practice", and the Procurement Strategy KPIs. Efficiencies in procurement and management of operational contracts will contribute to the Council's financial challenge savings.

What is the timetable for implementation?

22 The P2P action plan is split into 3 phases, which align to the phases of the Core Business Transformation programme. The Phase 1 immediate actions having already commenced with some having already been completed. The medium-term actions relate either to the procurement of a new technology/system delivery partner which is anticipated in late 2022 or will be impacted by the detail of the Government's new procurement regulations (anticipated during 2023). The final phase are outputs from the new technology/systems to be delivered and will follow completion of the procurement exercise. See Appendix 1 for further detail.

23 Changing Article 14 could be implemented promptly.

Appendices

24 Appendix 1 – P2P Action Plan and Update Statement

25 Appendix 2 – LGA Peer Review

26 Appendix 3 – Summary of CPR Updates

Background papers

27 None