

## **CORPORATE SCRUTINY COMMITTEE**

**14 AUGUST 2019**

### **REPORT OF THE EXECUTIVE DIRECTOR FINANCE**

#### **PROCUREMENT SERVICE & STRATEGY UPDATE**

##### **PURPOSE**

To inform Corporate Scrutiny of the activity of the Procurement function during 2018/19, to notify of completion of agreed actions set out in the previous Procurement Strategy, and to seek agreement for the future approach of the Procurement team.

##### **RECOMMENDATIONS**

**To consider the following report and endorse the recommendations included.**

## **CABINET**

**15 AUGUST 2019**

### **REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE**

#### **PROCUREMENT SERVICE & STRATEGY UPDATE**

##### **PURPOSE**

To inform Cabinet of the activity of the Procurement function during 2018/19, to notify of completion of agreed actions set out in the previous Procurement Strategy, and to seek agreement for the future approach of the Procurement team.

##### **RECOMMENDATIONS**

**Cabinet are requested to:-**

- 1) Note the contents of the report;**
- 2) Approve the future approach for the Procurement team.**

##### **EXECUTIVE SUMMARY**

###### Procurement Activity Update

During the financial year 2018/19, the Procurement team has:

- worked on a total of 41 new Quick Quotes and 21 new tenders, as well as completing a number of projects carried over from 2017/18;
- reported orders raised with a value of £5k and over, and details of the procurement exercise undertaken for each, to CMT on a quarterly basis, prior to publication on the internet as required by the Local Government Transparency Code;
- continued to publish details of our contract register on a quarterly basis, and to ensure details of our tender opportunities and contract awards are reported on Contracts Finder;
- worked with managers and budget holders to embed the use of Pentana as a contract management and reporting tool, and to assist managers with managing their tenders and Quick Quotes and achieving compliance with processes and procedures by means of triggers and actions to be completed.

There has been a recent increase in suppliers scrutinising the Council's procurement processes and this reflects a trend happening generally across the public sector. The Council has robust and compliant procurement procedures that have enabled it to provide comprehensive responses when required and to defend complaints when they have occurred. Whilst such scrutiny is still the exception rather than the rule this trend is expected to continue to grow as suppliers become increasingly knowledgeable and inquisitive. It is therefore important that compliance with UK regulations, Financial Guidance and Procurement procedures continues.

However, a recent internal audit review highlighted a number of areas where managers have not been complying with Procurement guidance or updating the contract register on a timely basis, and further training/update sessions are planned for later this Summer once the current re-organisation has been implemented and new managers are in post.

This will also include reference to the sanctions / consequences for staff who do not comply with or directly ignore Financial and Procurement Guidance, to ensure the procurement process is correctly followed. Contract Standing Orders contained within Financial Guidance state that:-

1. All employees must comply with these standing orders, the relevant regulations relating to Public Contracts and with financial regulations when procuring goods and services;
2. All Directors have primary responsibility for ensuring compliance within their service areas.

Furthermore, it is worth noting that 'Brexit' will not result in any immediate changes in current regulations. Once the UK has left the EU, amended procedures are a possibility for the future, depending on the terms negotiated for continuing trade arrangements, however, it should be noted that many of the current EU regulations were proposed and supported by the UK government, and are now enshrined in UK legislation.

### Contracts and Savings

**Appendix A** details all tenders and Quick Quotes resulting in a contract award during 2018/19 (completed projects only). This includes ongoing contracts and one-off purchases, and details the savings against identified budgets on each.

Based on the budgets and contract values identified, savings achieved totalled £289k during 2018/19. Of these, £68k related to capital scheme budgets and £136k to one-off revenue spend. Ongoing revenue savings of £85k over the term of the contracts awarded have been identified, of which £2k has been applied as savings as part of the 2019/20 budget process. Further annual savings resulting from procurement will be considered as part of the 2020/21 budget process.

## Implementation of Procurement Strategy

The Council's most recent Procurement Strategy approved by Cabinet in 2013 included a number of improvements and an action plan for implementation. These improvements mainly concerned procedures and documentation around tender authorisation and quick-quote templates; recording and monitoring of contracts on Pentana; and staff training/briefing sessions. All actions set out in the strategy have been completed, however it is recognised that there is an ongoing need:

- for staff training and refresher/briefing sessions covering Procurement issues, as detailed above;
- to further embed the use of Pentana as part of the procurement and contract management process and to ensure managers update the information relating to their contracts on the system;
- to further develop the In-Tend system if this can offer improvements over current processes, for example, the implementation of Evaluation and Contract Management modules.

These actions could be picked up as part of the service delivery plan/business planning process and do not necessarily warrant a separate strategy document.

In their National Procurement Strategy issued in 2014, the Local Government Association set out a number of recommendations for district councils, which reflected the requirement of the UK Public Contracts Regulations coming into force at the time, and also initiatives around collaboration, making savings and encouraging SMEs. Again, the Council has made good progress in complying with these recommendations, where opportunity to do so is available and where these have been beneficial to Tamworth. **Appendix B** details the recommendations set out and action taken by the Council in response to them.

## National Procurement Strategy for Local Government in England 2018

Last year the LGA issued a new National Procurement Strategy, which builds on the previous strategy from 2014, and covers a number of themes, as follows:-

- Showing leadership
- Engaging councillors
- Engaging senior managers
- Working with partners
- Engaging strategic suppliers
- Behaving commercially
- Creating commercial opportunities
- Managing contracts and relationships

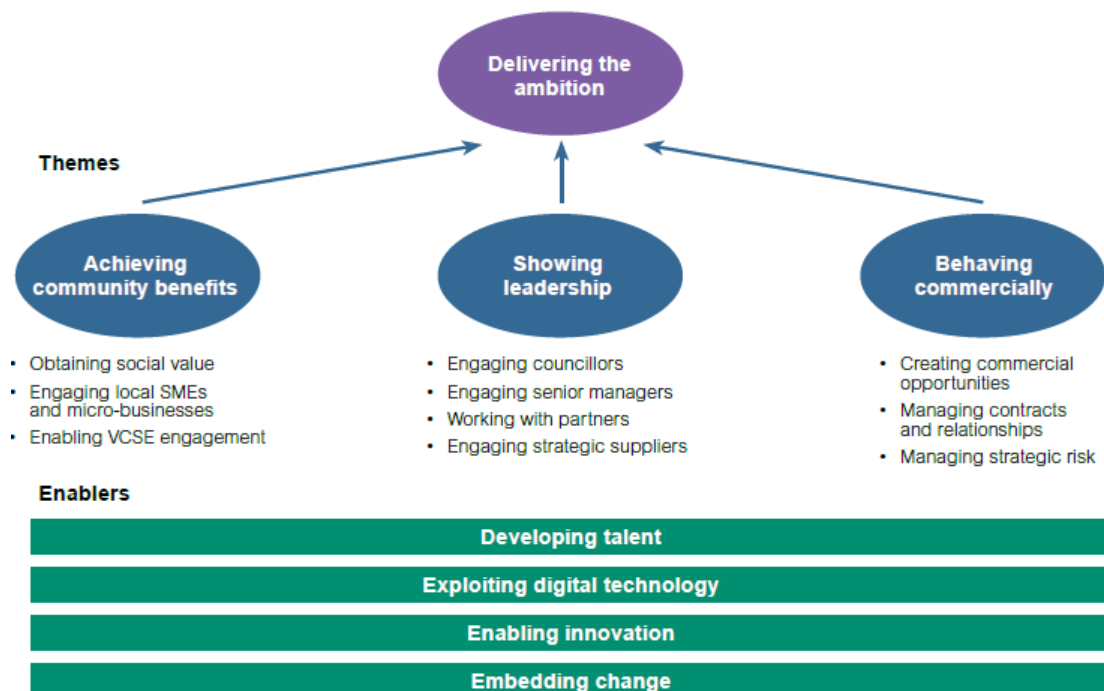
- Managing strategic risk
- Achieving community benefits
- Obtaining social value
- Engaging local SMEs and micro-businesses
- Enabling Voluntary, Community and Social Enterprise (VCSE) engagement

Whilst not including any specific recommendations for district councils, the strategy invites Councils to measure their progress and assess themselves against a criteria/scale of behaviours ranging from minimum; developing; mature; leader; and innovator. The Strategy also sets out a number of cross-cutting issues ('enablers') to be addressed – developing talent; exploiting digital technology; enabling innovation; and embedding change.

The themes are presented as maturity models to make objective setting and measurement easier. A toolkit has been developed to accompany the strategy with the purpose to help councils set local goals and assess their progress. The toolkit is for guidance only as a 'one-size-fits-all' approach is not supported by the sector or advocated in the strategy.

The choices will reflect local priorities and the resources available to the council. It is recognised, of course, that district councils may have different objectives to larger councils. Consequently, there is nothing 'wrong' about a council setting 'developing' or 'mature' (for example) as its target level of maturity in a particular area; it can be entirely appropriate.

An overview of the strategy is shown below.



For each of the key areas within each theme, an assessment of the Council's current position has been undertaken as well as any further action needed.

The Strategy includes many areas of good practice but much of it is practical only for County or Unitary authorities with large Procurement teams routinely letting bigger contracts than we do at Tamworth. To implement much of it would require greater engagement from staff across the Council and investment/additional resources to implement. It is therefore recommended that we give consideration to the Strategy but take action only on those areas appropriate and beneficial to Tamworth, and that such actions are built into the business planning process rather than set out in a formal strategy document. **Appendix C** sets out a summary of the requirements of the 2018 National Procurement Strategy, an assessment of our current position, and indicates actions that would need to be taken for Tamworth to improve under the requirements of the Strategy.

#### Future Approach of the Procurement Team

Under the organisational review, the Procurement function now reports directly to the Operations Accountant within the Finance team. It is intended that the links between procurement and the creditor payment process and management of the supplier database can be improved, and there will be more staffing resource available to support the Procurement function. As previously, the focus of the Procurement Team will be to support managers in undertaking procurement by developing processes and procedures in line with legislation and best practice, establishing standard documentation and templates, managing the In-Tend system, providing advice and guidance, and providing training in line with need/legislative changes. Where specific action is required to develop and improve the Procurement function within the Council, this will be included within the service business plan, and monitored in the usual way through Pentana. Cabinet are requested to endorse this approach.

#### **RESOURCE IMPLICATIONS**

None as a direct result of this report.

#### **RISK/LEGAL IMPLICATIONS**

Compliance with the Council's Financial Guidance and Standing Orders is key to ensuring adherence to EU and UK Public Contracts regulations.

#### **SUSTAINABILITY IMPLICATIONS**

None

## **REPORT AUTHOR**

If Members would like further information or clarification prior to the meeting please contact Stefan Garner, telephone 01827 709242 or email [stefan-garner@tamworth.gov.uk](mailto:stefan-garner@tamworth.gov.uk).

## **APPENDICES**

**Appendix A – Contracts Awarded 2018/19**

**Appendix B – LGA National Procurement Strategy for 2014**

**Appendix C – LGA National Procurement Strategy for 2018**

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