

Audit Committee

24 November 2022



Title	Procurement Actions Update Report
Purpose of the report	To note
Report Author	Hilary Gillies, Interim Head of Procurement
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: Note and provide feedback on progress of the actions in the Procurement Action Plan.
Reason for Recommendation	<i>The report seeks to assure the Audit Committee that adequate Procurement controls are provided for with the procurement strategy, policies and procedures.</i> <i>Progress against actions on the Procurement Action Plan is being presented to the Audit Committee to provide assurance of compliance with Contract Standing Orders (internal financial regulations), and with the Public Contract Regulations 2015 (procurement legislation).</i>

1. Summary of the report

- 1.1 This report seeks to update the Audit Committee on the progress against the Procurement Action Plan, and to provide assurance to the Committee that adequate procurement controls are in place.
- 1.2 Several key actions have been identified and are being addressed in the Procurement Action Plan. This report provides progress updates against the key actions.

- 1.3** The report also provides an update to the Audit Committee on the various Procurement policies in place to support officers and provide assurance of best practice and the achievement of value for money.

2. Background Information

- 2.1** Spelthorne Borough Council (SBC) operates a 'devolved' approach to procurement, operating with a small, central Corporate Procurement team providing support for procurement projects where the value of the project is £40k or above.
- 2.2** Where the value is under £40k, officers can run procurement projects without support from Corporate Procurement. However, to assist officers and provide assurance of control and compliance, Corporate Procurement has drafted a suite of documents including a Procurement Strategy, Procurement Policy and various procedures outlining process requirements. Other procedures are in development. All are listed at Appendix A.
- 2.3** Procurement within SBC is controlled by the Council's Contract Standing Orders (CSOs), the internal financial regulations which set out levels of approval for certain thresholds of spend and outline clear rules for the procurement of goods, works and services. The CSO's are set out at Appendix B.
- 2.4** SBC is also subject to the Public Contracts Regulations 2015. This legislation regulates the procurement by public sector bodies of contracts for goods, works and services above certain thresholds (£213,477 for goods and services and £5,336,937 for works).

3. Internal Audit of Procurement

- 3.1** An internal audit of Procurement was last carried out in 2018/19.
- 3.2** The original level of assurance given in respect of the Procurement function for 2018/19 was 'Major Improvement Needed'.
- 3.3** However, the follow-up review in January 2021 established that improvement had been made in some of the high-risk areas and that a number of recommendations were targeted to be implemented by the end of April / May 2021. However, these relied on the wholesale review of the Council's Constitution, including an essential update of the Contract Standing Orders.
- 3.4** The level of assurance given in respect of the Procurement function in January 2021 was 'Some Improvement Needed'. A few specific control weaknesses were noted; generally however, the controls evaluated were deemed to be adequate, appropriate and effective to provide reasonable assurance that risks were being managed and objectives could be met.
- 3.5** Since January 2021, there has been a significant amount of activity contributing to the improvement in procurement performance, not least the update to the Constitution and the CSOs to provide clearer internal approval thresholds and processes. This has enabled the development of the procurement processes which naturally flow from the CSOs.
- 3.6** The Procurement Strategy, Policy and 6 procurement procedures were developed and then approved by the Administrative Committee in October

2021. These were due for review in October 2022 and have been updated (if and where necessary). The updated procedures will be presented to the Administrative Committee in January 2023, in addition to a further 4 new procedures (see list at Appendix A).

- 3.7** The next Procurement Internal Audit is due in Q4 of 2022/23. It is understood that the review will focus on identifying any emerging risks and consider the robustness of systems of internal control. It will also consider the level of compliance with procurement regulations and internal policies. Mechanisms in place to analyse procurement spend with a view to generating efficiencies will also be considered.

4. Key Issues

- 4.1** A number of key actions are required to improve compliance and control in procurement activity across the Council, and these are detailed in the Procurement Action Plan as below:

- (a) Improve SBC's contract data, contract management and adherence to the Local Government Transparency Code obligations
- (b) Ensure Procurement is sufficiently resourced to support Procurement projects, in accordance with Contract Standard Orders
- (c) Manage and maintain Corporate Procurement policies and procedures, including the Procurement Strategy, Procurement Policy and all other procurement procedures approved in October 2021, and draft new policies as required
- (d) Reinstate the Procurement Project Board to ensure that Procurement, Legal and Finance have early sight of all projects over £40k
- (e) Ensure Corporate Procurement has early visibility of Service Plans for all Services
- (f) Improve compliance with the Council's Contract Standing Orders and monitor non-compliance (exemption reports, etc.)
- (g) Ensure SBC is prepared for the changes implied by the emerging new Procurement Bill, expected in March 2023.

5. Progress against key actions

5.1 Improve contract data, contract management and adherence to the Local Government Transparency Code

The Transparency Code requires that Local Authorities publish data on how money is spent; use of assets; decision making etc. Procurement and contracts information should be regularly published on the website.

- All live and recently expired contracts have been published up to and including the end of September 2022. Going forward, we will publish information on any newly tendered contracts monthly and within two weeks of the end of the previous month.

- At the moment, reviewing contracts for transparency and contract continuity purposes is a manual and resource intensive process; however, Corporate Procurement is in the process of procuring a new e-tendering and contract management system which will accelerate the process.
- A key focus for the Corporate Procurement team now is the review of contract arrangements for key service contracts, considering whether the scope of the contract is still valid, and where there may be opportunities for cashable savings.

5.2 Ensure Procurement is resourced to support procurement projects

SBC's contract standing orders require that the Corporate Procurement team support all procurement projects with a value of £40k or more, although Corporate Procurement has a key objective to achieve value for money through all of our procurement activity.

This requires that the team is sufficiently resourced to be able to provide wider support, often with technical expertise in critical areas.

- Corporate Procurement is in the process of recruiting to the Procurement Assistant post, approved in the 2022/23 budget. A conditional offer has been made and it is anticipated that the postholder will be able to start in early December '22. The Assistant will support procurement reporting, contract register maintenance and procurement resource and project planning. A saving of £12k was made against the approved growth bid budget for the 18-month period.
- Recognising the criticality of procurement to the successful delivery of SBC's Assets projects, we are implementing a category management approach to procurement to allow greater focus and support on Assets projects specifically. We will review other key areas and propose additional resource if and when needed.
- There are currently over 30 live procurement projects across all services on the Procurement Plan, with more to be added as service plan projects, contract renewals and growth bids are added.

5.3 Manage and maintain Corporate Procurement policies and procedures

In October 2021, the Administrative Committee approved six procurement policies, the Procurement Strategy and Procurement Policy, with a review date of October 2022.

- The strategy, policy and procedures have all been updated and an additional four policies are being drafted for consideration and approval at the Administrative Committee in January.

5.4 Reinstate the Procurement Project Board to ensure that Procurement, Legal and Finance have early sight of all projects over £40k

The Procurement Project Board (PPB) was reinstated in September and at the time of writing has met twice to consider projects in advance of their

progression to formal approval (MAT, Committee and Council as appropriate, providing assurance to the decision-making Board that the project has been fully assessed through legal, commercial and project management 'lenses'.

5.5 Ensure Corporate Procurement has early visibility of 2023/24 Service Plans for all Services

Corporate Procurement has all the service plans submitted for approval by MAT, and any proposed procurement projects have been added to the Procurement Action Plan (subject to their approval within the 2023/24 budget). This earlier visibility allows for more effective procurement resource planning.

5.6 Improve compliance with the Council's Contract Standing Orders (CSOs)

Corporate Procurement intends to monitor compliance with CSOs in several of ways: including reviewing the numbers of exemption reports; reviewing spend data against contracted values; and ensuring that any spend of <£5k is with local providers.

Responsibility for data collection and reporting will sit with the new Procurement Assistant postholder and they will produce quarterly performance reports for circulation at Procurement Project Board and Committee level. The team is currently collecting baseline data against which further performance will be reported.

Corporate Procurement has recently carried out Procurement update briefings at Corporate Policy and Resources Committee and at the Staff Meeting and Managers' Briefing. The briefings included information about Contract Standing Orders and approvals and procurement processes and spend thresholds.

5.7 Ensure SBC is prepared for the changes implied by the emerging new Procurement Bill, expected in March 2023

The reforms proposed within the new Procurement Bill represent significant changes to public sector procurement, to make public procurement quicker, simpler, more transparent and more commercially-focused.

- The reforms include a strong focus on "value for money, public benefit, transparency and integrity" at the heart of public sector procurement and will modernise procurement systems and processes. These principles align with the value for money and financial considerations which SBC applies to each development scheme.
- Corporate Procurement is reviewing the proposed changes and will ensure that SBC is informed and prepared to implement any changes required when the Bill comes into force (currently expected March 2023 but may be subject to change).

6.0 Financial implications

- 6.1 The improvements and actions outlined in this report are focused on the key procurement objective of achieving value for money. As we move towards improvements in contract management, we will also be looking to achieve cashable savings across the Council through contract efficiencies.

7.0 Risk considerations

- 7.1 The actions contained in this report are aimed at reducing risk, such as the risk of supplier challenge and risk of not delivering value for money, and risks associated with non-compliance with internal and external regulations and legislation.

8.0 Procurement considerations

These are covered within the report.

9.0 Legal considerations

- 9.1 Corporate Procurement works closely with Legal Services on all of these actions.

10.0 Other considerations

- 10.1 Pertinent considerations have been covered above

11.0 Equality and Diversity

- 11.1 Equality, diversity and inclusion are considered within the procurement policies and procedures referenced above. Additionally, equality and diversity considerations are embedded within the tender processes.

12.0 Sustainability/Climate Change Implications

- 12.1 Sustainability, Social Value, Climate Change and other environmental issues are considered within the procurement policies and procedures referenced above, and in all procurement projects as appropriate for the project value.

13.0 Timetable for implementation

- 13.1 The Procurement Action Plan, and the actions identified in this report are ongoing on a cycle of continuous improvement. New key actions, such as those generated by the Cashable Savings Working Group, are being added, and will be covered in the next update report.

14.0 Contact

- 14.1 Please contact Hilary Gillies h.gillies@spelthorne.gov.uk

15.0 Background papers: There are none.

Appendices:

Appendix A – Procurement Policies and Procedures listing
Appendix B – Contract Standing Orders