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| <b>AUDIT COMMITTEE</b> | <b>AGENDA ITEM No. 7</b> |
| <b>30 JANUARY 2023</b> | <b>PUBLIC REPORT</b>     |

|                                |   |                                     |
|--------------------------------|---|-------------------------------------|
| Report of:                     | Cecilie Booth, Executive Director of Corporate Services and S.151 Officer             |                                     |
| Cabinet Member(s) responsible: | Cllr Andy Coles, Cabinet Member for Finance and Corporate Governance                  |                                     |
| Contact Officer(s):            | George Wallace Head of Procurement<br>Richard McCarthy Procurement Operations Manager | Tel.<br>07773576077<br>01733 384606 |

**UPDATE – PROCUREMENT ACTIVITY JANUARY 2023**

| RECOMMENDATIONS   |   |
|---|---|
| <b>FROM: Executive Director of Corporate Services and S.151 Officer</b>   | <b>Deadline date: Update 30 January 2023, further report at meeting 20 March 2023</b> |
| <p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Receive an update of Procurement Activity for the key requests from the previous Audit Committee Meeting of 17<sup>th</sup> October 2022.</li> <li>2. Agree that more details and evidence of progress be received at the planned meeting of the Audit Committee in March 2023.</li> </ol> |   |

**1. ORIGIN OF REPORT**

- 1.1 This report is submitted to Audit Committee following  
*(a) a request from the Audit Committee via the minutes and actions to provide an update on progress on delivering on the required actions since October 2022.*

**2. PURPOSE AND REASON FOR REPORT**

- 2.1 The purpose of this report is to set out progress on Procurement Activity since October 2022 and provides additional or background information requested by the Committee at its meeting on 17<sup>th</sup> October 2022.

- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.18

To monitor the effective development and operation of risk management and corporate governance in the Council.

### 3. **TIMESCALES**

|   |           |                                  |  |
|---|-----------|----------------------------------|--|
| Is this a Major Policy Item/Statutory Plan? | <b>NO</b> | If yes, date for Cabinet meeting |  |
|---|-----------|----------------------------------|--|

### 4. **BACKGROUND AND KEY ISSUES**

4.1 At the previous Audit Committee Meeting on 17<sup>th</sup> October 2022 the Procurement Team submitted a report on current activity in terms of three broad areas:

- Contract Values and Spend Under Management
- The Governance Process and details of Exemptions to Contract Rules
- Management of the Delivery of Procurement

4.2 Audit Committee recognised that the report delivered in October was a useful start to understand the nature of procurement activity and particular issues that need to be addressed both in terms of systems and processes but also in culture and behaviour across Council departments to deliver a more proactive approach to procurement, to increase contract compliance and to implement systems that link contracts and spend data together to provide a more comprehensive analysis of contract and spend activity. This update on progress will be followed by a full report with appendices and supporting documents at the March 2023 meeting of the Audit Committee.

4.3 The Procurement Board, chaired by Cecillie Booth, Executive Director of Corporate Services and S151 Officer, has received reports from the Procurement Team regarding the Annual Plan for 2023/24 for Procurement and how the team will organise itself to align with Council Directorates following the decision to bring the Procurement Team back in house from Serco in November 2022. A forward plan process has been re-introduced and meetings with Department Management Teams planned for January 2023 to firm up procurement priorities for 2023/24.

4.4 Further work has been undertaken to review instances of non-compliance and a draft report completed to go to Corporate Leadership Team (CLT) on a regular basis to enable individual Directors to understand the nature of any breaches and take the appropriate action to reduce such behaviour in future.

4.5 Amendments to the Constitution to set the limit at £25,000 (increased from £5,000) where more than 1 written quote is required to direct award to a supplier, has reduced the number of exemptions and further reductions are expected following specific procurements regarding temporary and interim staff and for Apprenticeships and Training.

4.6 A further amendment to the Contract Rules is being considered to allow Adults and Children's care placements to be a valid exception to the Contract Rules provided that a valid attempt has been made to procure those services via an existing compliant route first. This amendment along with the activity detailed in 4.5 will more than halve the number of exemptions and allow more time for greater scrutiny of those that remain.

4.7 A project is well under way to review the Council's Enterprise Resource Planning (ERP) systems and the "as is" state has been mapped and the group is now reviewing and scoping the "to be" state which includes investment in software but is also reviewing and removing processes that do not add value and strengthening and enforcing those that do. The "No PO No Pay" Policy is being re-launched and updated and CLT have been charged with monitoring compliance to be reported on a regular basis via statistics gleaned from the Unit 4 Agresso system. Suppliers that send invoices to the Council where no valid purchase order exemption exists will have their invoice returned and informed that they need to provide a valid purchase order to receive payment. Peterborough City Council colleagues that do not follow the policy will be highlighted to CLT for the appropriate action to be taken.

- 4.8 Work has begun on making Climate Change and Social Value an integral part of Procurement and further information is due to be sent to CLT for consideration shortly
- 4.9 The Procurement Team is working closely with Internal Audit to address instances of non-compliance, their causes and mitigation of risk.
- 4.10 A fuller update that includes timescales for delivery is included at Appendix 1 of this report.

## **5. CORPORATE PRIORITIES**

- 5.1 The recommendation to receive the update on procurement activity has a positive effect on the Sustainable Future City Council policy in the following ways:
- How we work – the decision taken to bring the Procurement service back in house from Serco has unlocked opportunities to review processes and tasks that don't add value and remove them to deliver efficiencies of process and to ensure the maximum level of resource targets direct procurement activities.
  - How we Serve – re-establishing the forward planning process will make the service proactive and less reactive, and provide leadership for commissioners of services, emphasising the need to deliver outcomes that are essential rather than desirable when specifying goods and services required to operate Council functions.
  - How we enable – in re-engineering systems and processes the procurement team will be better able to establish and minimise rogue spend and non-compliance. Improvement in ERP systems will enable better benchmarking (market insights to other Local Authorities spend and supplier base) and also provide economies of scale by planning 18 months of procurement priorities at a time – enabling decisions to be made earlier and increasing leverage with suppliers.

## **6. CONSULTATION**

- 6.1 The development of the work around procurement has been presented to the ERP development Group, CLT and Procurement Board.
- 6.2 CLT will receive and consider this update in due course.

## **7. ANTICIPATED OUTCOMES OR IMPACT**

- 7.1 There will need to be further amendments to the Constitution regarding the Contract Rules to further increase efficiency of process and to ensure focus on services that would legitimately require exposure to competition.

A greater transparency of procurement activity will need to be provided for CLT.

The formal re-launch of the No PO No Pay Policy will affect suppliers and colleagues placing orders for goods and services.

Greater training and support will need to be provided by the Procurement Team to help increase compliance.

## **8. REASON FOR THE RECOMMENDATION**

- 8.1 It is recommended that the Audit Committee receive this report as an update on progress to improve compliance with the Council's Contract Rules, Public Contract Regulations 2015 and the Procurement Bill when implemented.

Fuller details will be delivered at the meeting to be held in March 2023

**9. ALTERNATIVE OPTIONS CONSIDERED**

9.1 There is no alternative option as the requests from the October Audit Committee will need more time to be delivered and implemented.

**10. IMPLICATIONS**

**Financial Implications**

10.1 None

**Legal Implications**

10.2 The amendment to the Constitution (Contract Rules) regarding Adults and Children's care placements will need Full Council consideration.

**Equalities Implications**

10.3 None

**11. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 None

**12. APPENDICES**

12.1 Appendix 1 – Procurement Activity Update