

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 7</b>
<b>11 SEPTEMBER 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 Legal, Finance and Corporate Governance	
Contact Officer(s):	Richard McCarthy Head of Commercial & Procurement	Tel. 01733 384606

**UPDATE – COMMERCIAL & PROCUREMENT SERVICE**

<b>RECOMMENDATIONS</b>	
<b>FROM: Cecilie Booth, Executive Director of Corporate Services and S151 Office</b>	<b>Deadline date: September 2023</b>
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> <li>Review and consider the general Update provided in the report regarding the activity of the Commercial &amp; Procurement Service</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Audit Committee following a request from the Audit Committee at their meeting on 24<sup>th</sup> July 2023 to provide an update on progress on delivering on the required actions.

**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 more detailed information requested by the Committee at its meeting on 24<sup>th</sup> July 2023.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.15 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>YES/NO</b>	If yes, date for Cabinet meeting	
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**4. BACKGROUND AND KEY ISSUES**

4.1 At the previous Audit Committee Meeting of the 24<sup>th</sup> July 2023 the Procurement Team were asked to provide an update on two key items as follows:

- Ascertain whether the same criteria applied to external organisations around climate and social values could be implemented internally.
- Produce list of large contracts and bring to committee's attention the status/risks of those contracts in terms of procurement.

4.2 The criteria used to test the delivery of Social Value for Third Party Suppliers during in response to tenders and for the management of contracts has not been formally defined as yet as the Social Value Policy for Peterborough City Council is still under development. The first and highest priority of the Social Value remit is the Climate Change Commercial Ask. This project has been approved by CLT and is moving forward we are currently exploring how we incorporate climate change within the procurement documents and are working closely with Legal colleagues to effect this.

To this end, we will be joining an Opportunity Peterborough event for SMEs later this month to explore how they can incorporate climate change within their operations, how they would be measured, and what questions and clauses we can include in the procurement documents that are proportionate.

We are focusing our efforts on meaningful engagement with local SMEs as they will need a lot of help and support to become equipped to tackle the challenges of the net zero agenda. We are planning a similar event with the Chamber of Commerce. Two waste related contracts will be reprocured over the next 12 months, and we will use these as an opportunity to incorporate the Climate Change Commercial Ask into those procurements and develop support and training tools for suppliers over the next few months. Our work is in full collaboration with the Council's Climate Change Lead.

4.3 In terms of applying social value more broadly the plan is to embed a social value framework into procurement and contract management functions linking key priorities for the Council to the National TOMS (Themes and Outcomes) Framework. The Procurement Team is currently reviewing social value software including but not limited to the Social Value Portal. There is great variation in the price of implementing such software and care must be taken to ensure bid prices aren't increased as a result of implementing social value requirements for tenders and contracts. This work is at an early stage. Table A below shows how we might link the Key Council Priorities in the Corporate Strategy with key TOMS outcomes. This is illustrative at this stage as consultation with Contract Managers and CLT has not taken place yet to agree and determine the measures for social value. Once the framework has been agreed with key stakeholders and the relevant software obtained to record delivery of Social Value, existing supplier contracts would need to be reviewed and amended accordingly.

**TABLE A**

<b>Key Council Priority</b>	<b>Linked to National TOMS (Themes Outcomes and Measures) for Social Value</b>	<b>TOMS Ref</b>
Prevention, Independence & Resilience	Creating a healthier community	NT26
	Vulnerable people are helped to live independently	NT27
	Increased Community Outreach	NT28 NT29
Our Places and Communities	Carbon emissions are reduced	NT31 NT31a
	Air pollution is reduced	NT32
	Safeguarding the natural environment	NT85 NT90 NT87
	Resource efficiency and circular economy solutions are promoted	NT69 NT70

		NT72
		NT88
	Sustainable Procurement is promoted	NT49
The Economy and Inclusive Growth	More local people in employment	NT1
		NT1c
	More Opportunities for disadvantaged people	NT3
		NT3a
		NT3b
		NT4
		NT4a
		NT5
	Improved Skills	NT6
		NT8
		NT9
		NT10
	Improved Employability of Young People	NT11
N12		
		N13

- 4.4 In terms of applying these values to in-house services, it would be necessary to agree a change control notice to add this to existing agreements for services run by Peterborough Limited for example, for other services, it would be necessary to agree a service level agreement regarding this activity clearly setting out those TOMS relevant for the service being provided and how meaningful information might be captured.
- 4.5 The first steps however will be to develop the Social Value Framework and obtain agreement with CLT, Cllrs and other key stakeholders in the business.
- 4.6 In reviewing large value contracts, the attached list at Appendix 1 refers to the description and known risks for Procurement. We do not have details for contract performance for all contracts (this will be addressed when the Enterprise Resource Plan (ERP) system improvements are implemented). Of the 17 listed, all are all live.

5 contracts are due to end in 2024 and of those 2 have options to extend for a further 4 years, 1 will need to be planned to start the process in September 2023, 1 contract is being considered for extension under Regulation 72 due to the lack of commissioning resource available to reprocur the service in time. There is always a risk of challenge when modifying the contract in this way, however this is mitigated by the fact that the procurement process has started albeit in the early stages.

There needs to be an agreed definition for “large contracts”. The Procurement Bill, under S66 contracts with a value over £2m will be subject to annual performance monitoring, with the requirement to publish information about the review. At least 3 KPIs need to be published along with the Contract and ongoing performance against those contracts. The proposed upgrades to the ERP system will allow suppliers the ability to upload evidence and information to allow the Authority to publish such performance information. This would be able to be produced for Audit Committee on an ongoing basis.

## **General Updates**

4.7

### **Enterprise Resource Plan (ERP) System Development**

4.7.1

A statement of works has now been finalised to meet the requirements of linking spend data with contracts. It will also allow us to control spend where no contract is quoted when requisitions are raised. A major benefit will be to monitor performance of large value contracts via the enhanced SRM module. We are procuring the necessary software contracts through the Crown Commercial Services Digital Market Place.

### **Early Pay Incentive Scheme**

4.7.2

Tender documentation has been amended to include details for onboarding newly appointed suppliers into the scheme, and suppliers have been analysed with very few queries regarding their current terms 82 suppliers are being reviewed currently out of circa 1800 active suppliers. The next stage is to agree communications to the suppliers to get as many onboarded as possible to commence making savings via discounted invoices over the coming weeks.

### **No PO No Pay**

4.7.3

There has been a marked increase in compliance since the No PO No Pay policy was relaunched in 2022. Historically the number of invoices that were matched to purchase orders has been as low as 40%. The current reports managed by the Accounts Payable Team show the current figure as 64.5%. Clearly there is still work to be done to improve this further by reducing the number of exemptions granted for certain categories of spend and through the implementation of the ERP upgrades.

### **Governance**

4.7.4

A change to the Contract Procedure Rules has been agreed at CLT and worked through by Legal and Procurement colleagues, that relates to Social Care Placements, this will allow the relevant Director or Head of Service to make placements with care suppliers without needing an individual exemption as long as every effort to secure services through compliant routes has been made and that this process is documented and evidenced. This will reduce the burden on both commissioners and the Procurement Team as a significant number of exemptions relate to Social Care services where compliant routes have been exhausted.

### **Compliance**

4.7.5

Procurement compliance is improving in Appendix 2 there is a comparison between what's happening now and 12 months ago and retrospective exemptions are down 23 or 35% and exemptions in general are down 30 or 22%. In terms of the total volume of exemptions, the vast majority relate to meeting the urgent needs of vulnerable adults or children at 57% These exemptions will be reduced further once social care placements are removed from this analysis if the decision to amend the Contract Procedure Rules is agreed.

## **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 delivered operational time savings as the service aligned to the Directorates and working with Legal colleagues to remove non-value add processes.

- How we Serve – the forward plan has now been transferred to a piece of software designed to manage procurement pipelines to meet the requirements of the Procurement Bill and significant resource has been saved in removing duplicates and combining pieces together to make the procurement process more efficient. Procurement staff attend DMTs and provide regular feedback on the progress of the relevant items on the forward plan.
- How we enable – The project team including Procurement staff have produced the Statement of Works which specifies what's needed to upgrade the ERP system which in turn will link contracts and spend together, increased spend controls and more efficient handling of supplier data and information.

## **6. CONSULTATION**

- 6.1 The development of the work around procurement has been presented to the ERP development Group, CLT and Procurement Board.. A Statement of Works has been completed and is being finalised in order to commence the Procurement phase.
- 6.2 CLT have received updates on the Progress in the Procurement Team and are happy with the Progress made and how the service is proactively managing the Procurement Plan and resource.

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

- 7.1 Amendments to the CPRs are being jointly worked on by Legal and Procurement colleagues to make the processes more accessible and align more with Financial sign off limits and also to remove the need for exemptions for care placements where every effort has been made to procure those services via compliant routes

Further amendments will of course need to be made once the Procurement Bill is fully implemented scheduled now for October 2024.

A Contract will be awarded this Autumn to commence work on implementing the upgrades to the ERP system.

## **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 through the continued development of systems, processes and procedures.

Further details will be discussed at the meeting to be held in September 2023

## **9. ALTERNATIVE OPTIONS CONSIDERED**

- 9.1 There is no alternative option as the requests from the July meeting of the Audit Committee. The journey of the development of staff, systems and process continues and benefits realisation will be evidenced when these developments are fully implemented.

## **10. IMPLICATIONS**

### **Financial Implications**

- 10.1 None

### **Legal Implications**

- 10.2 None

### **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 – Large Contracts Procurement Risks

12.2 Appendix 2 – Governance Compliance Statistics