

AUDIT COMMITTEE
22 July 2021

Subject Heading:

Procurement Update

SLT Lead:

Jane West, Chief Operating Officer

Report Author and contact details:

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Policy context:

To inform the Committee of recent changes in the procurement service and progress on the audit recommendations.

Financial summary:

There are no financial implications arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

This report advises Members of the Audit Committee with an update of the most recent changes made to procurement with a view to improving management and governance of procurement activity within the Council.

RECOMMENDATIONS

Members are asked to note the content of this report and to ask specific questions of officers where required.

REPORT DETAIL

Update to the Audit Committee – July 2021

1 Introduction and Background

The February 2020 audit of Procurement highlighted concerns in four areas. Updates to those issues are provided below:

1.1 Value for money

A new Gateway Review Group (GRG) has been initiated to ensure proper oversight of all in scope procurement activity. This group includes the deputy S151 and legal officers. This group will aim to ensure greater value for money arrangements on Council procurements.

1.2 Compliance with Regulations and Council's Contract Procedure Rules and dealing with off contract spend and/or missing contracts

GRG will monitor each stage of a procurement to ensure compliance. The use of the Fusion system automatically creates a contract record. Incoming Procurement Initiation Forms are reviewed and the work allocated to appropriate resources. The new procurement intranet will make compliance easier, and includes new processes and guidance

1.3 Authorisation for expenditure;

The new procurement intranet pages will give clear guidance to officers along with clarity on authorisation required within the corporate governance framework.

1.4 Monitoring of expenditure/ delivery of service

GRG will oversee contract expenditure by reviewing the outcomes of tenders, analysing the contract register and spend and will report to the S151 officer.

2 Background to the updates

2.1 There have been significant changes in staffing in the Strategic Procurement Unit. There was a restructure in February 2020 and a new Director appointed in September 2020. Five interim staff have been replaced with permanent staff to reduce costs and improve service. The team now consists of 24 FTE's only one of which is interim (covering a long term illness). It should be noted that over the last 15 months, many of the team were moved from normal procurement work to support the pandemic response. Whilst the emergency of the pandemic has passed, the team have continued to support with procurements to support testing and more recently vaccinations.

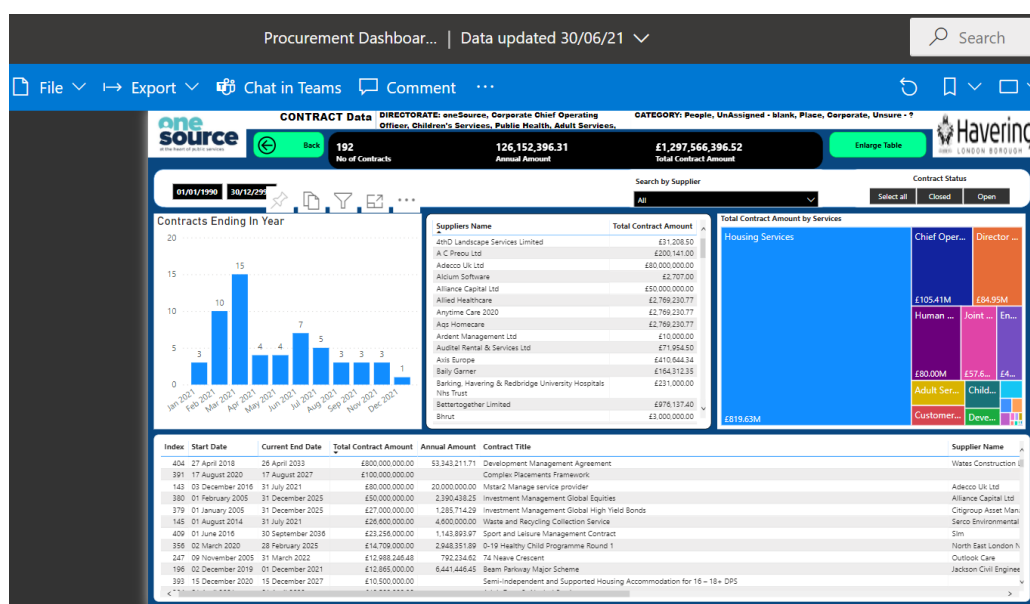
2.2 The Procurement Improvement Project is developing the new procurement intranet site designed to make compliance easier. The site has been well received in LBN. The LBH version is ready to publish in line with the approval of the new Contract Procedure Rules.

- 2.3 We have been working jointly with Accounts Payable running Drop-In sessions to support staff with the new Fusion system. The number of calls and complaints has dropped dramatically as a result of this work.
- 2.4 We are reviewing procurement workflows, systems, resources and governance to ensure that previous procurement failures are not repeated, or at the very least that we have early warning of impending issues such that mitigating action can be taken.
- 2.5 We have been developing a series of measures and internal Performance Indicators to support reporting to the Joint Committee. These are reflected in all staffs objectives and 1-2-1 reviews.
- 2.6 Most high performing procurement teams have a formalised approach to Gateway management. We are now implementing this approach to manage our procurements. This approach supports technical development and learning for staff.

Procurement Improvements since September 2020

3. Contract register

- 3.1 Progress with completion of the contract register has been slow, so a new approach is being readied for roll out in the next two weeks. This will give contract managers secure access into the register such that they become responsible for accuracy and completion. The Annual Procurement Plan relies on the Contract register, and work is continuing to get this completed for submission to SLT and Cabinet.
- 3.2 A Contract Register Dashboard has been developed to make contract data more accessible to managers. The dashboard currently represents £126M of annual spend. This represents a £10M increase since May (see appendix 2)



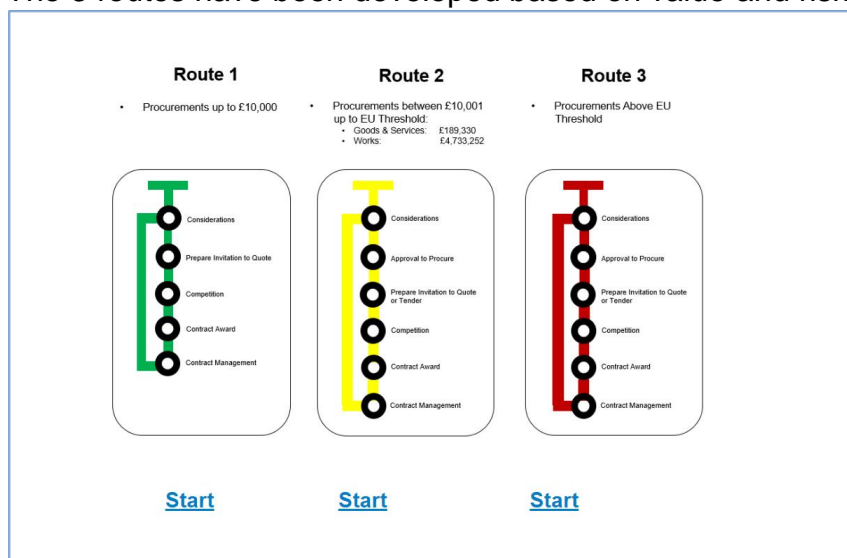
4 New Contract Procedure Rules

4.1 The governance process for the new Contract Procedure Rules (CPR's) commenced in 2020 and should be completed in Summer/Autumn 2021 once recommended by Cabinet and then approved at Full Council.

4.2 The Procurement Improvement Project was implemented to improve procurement operations, governance and improve confidence in the service. There has been significant progress:

The new procurement intranet site is under development to be launched as soon as the CPRs are nearing the end of the governance process. The site includes new features designed to make compliance easier.

- a. The new intranet guidance includes regular reminders of the Councils **“no PO, no Pay”** policy. We are seeing evidence that the Fusion controls that support the “no PO, no Pay” policy are working. The retrospective Purchase Order report will form part of a monthly exceptions report to the S151 officer.
- b. The new site includes a link to available training e.g. the fundamentals of procurement which will be available to officers across the Council. And we are developing new bookable CPR courses which will be available once CPR approval date is known.
- c. The procurement front page walks officers through a compliant process. The 3 routes have been developed based on value and risk.



- d. A new Procurement Initiation Form (PiF) has been developed but has yet to be implemented at LBH this will be launched along with the new CPR's. The PiF includes an evaluation of value and procurement risk to ensure that lower value but higher complexity procurements receive an appropriate level of oversight. The new weekly review of all incoming PiF's allocates projects to an appropriately skilled officer to manage or oversee.
- e. All procurement projects are added to the iProcure system to ensure visibility and management of the procurement progress. The iProcure system facilitates reporting of all procurement projects. (see appendix 1).

5 Oracle Fusion

5.1 Oracle Fusion went live in September 2020. The system contains two tools to manage spend against contracts:

- 1) The Blanket Purchase Agreement (BPA) – sets the spend limit according to the contract value, and alerts the contract owner when spend reaches 80%. The system blocks spend above 100%.
- 2) The Content Zone authorises who can place orders against each contract.

6 Strategic Procurement Unit (SPU) Structure

The Strategic Procurement Unit was restructured in February 2020. It is becoming clear that the current structure is not as efficient as it should be. Workflows are fractured and this makes for confusion and a lack of oversight. As we strive for continuous improvement, the structure is being reviewed. The objective is to ensure that we have the right people doing the right things so that the department is as efficient as possible and delivers maximum benefit for the Council

7 Performance Indicators

7.1 Prior to 21/22 there were no KPI's in place for procurement. The team have contributed to a set of performance indicators. These are being incorporated into personal targets and goals for every member of the team.

7.2 The following are the indicators and the management information agreed by the oneSource Joint Committee.

Procurement KPI's
Number of Contracts awarded on time
Number of Procurement projects completed
Number of Procurement projects in progress
Percentage of Procurement projects on track - % of total in-progress
Procurement Strategy Approved
Savings % against Procurement value
Number of Contracts awarded on time
User satisfaction

7.3 The procurement indicators have been aligned to the oneSource indicators which are themed:



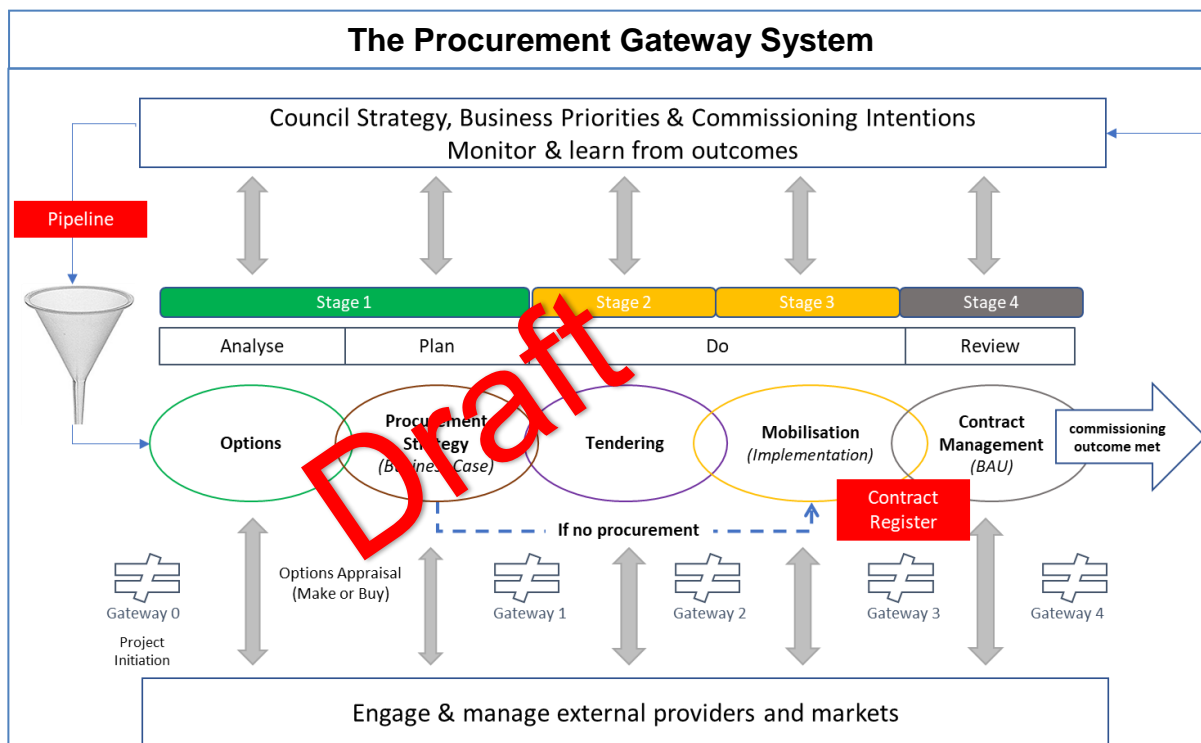
8 Procurement Governance

8.1 The Checkpoint system has been reviewed and no longer reflects best practice procurement. We are implementing a new gateway based governance system using the following decision gates:

Gateway 0 - Initiation - Pipeline

Gateway 1 - Procurement Strategy – pre-procurement

- Gateway 2 - Tendering / Competitive Stage
- Gateway 3 - Contract Award, mobilisation, handover to BAU (record savings and Social Value) ****New****
- Gateway 4 - Contract Management, benefits realisations ****New****



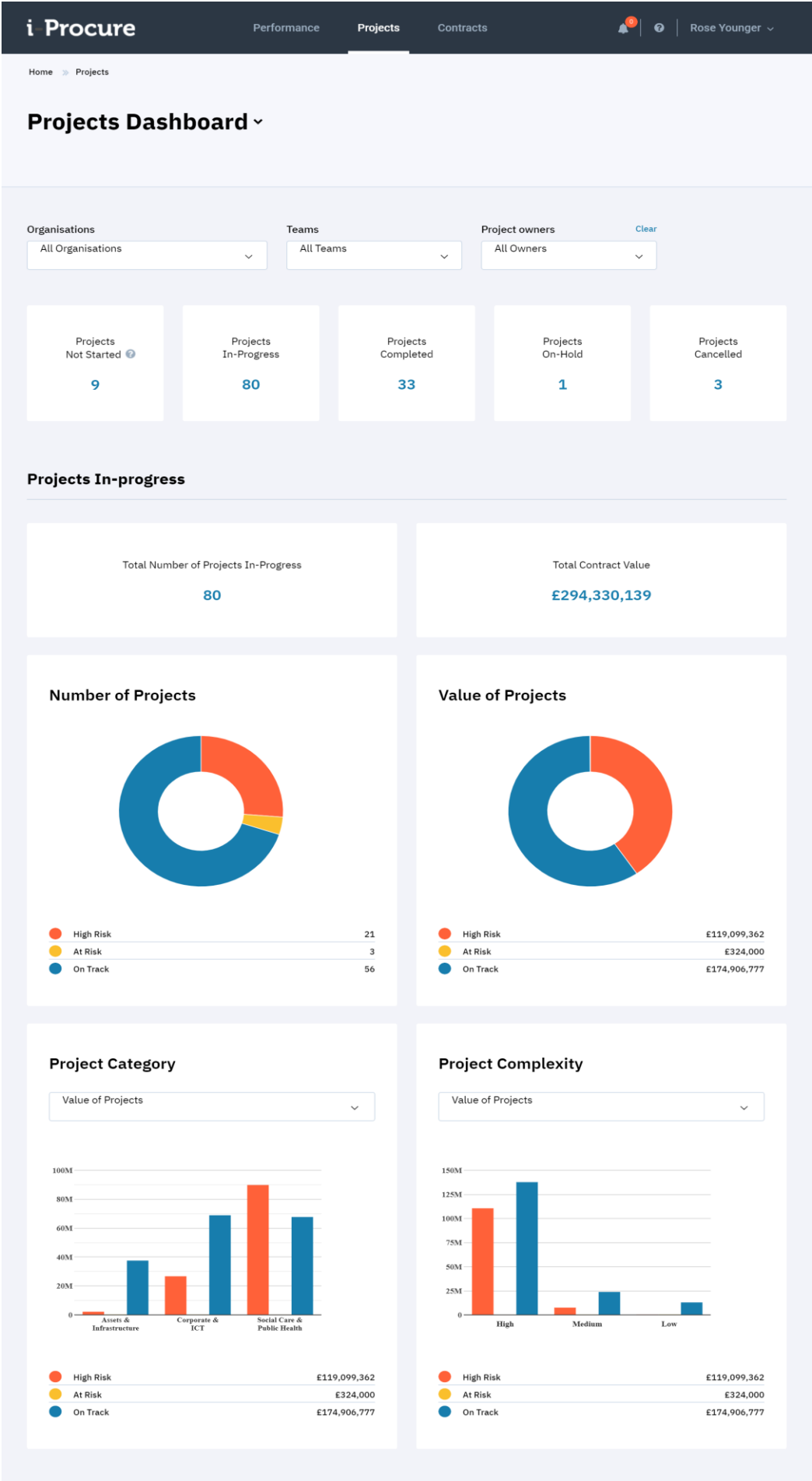
July 2021 Update on outstanding Audit Findings

Rec No	Rec	Priority	Res Officer	Mngt Response	Original Imp Date	Rec Status	Revised Imp Date	Previous Comments	Update July 2021
1	Given the limited assurance that purchases are compliant with legislative and local policies, and the lack of evidence to support that spend is approved and achieving value for money for the Council, the Procurement function should identify how they will address all levels of non-contracted spend to ensure compliance.	H	Rose Younger Director of Procurement	We have already recognised the relatively low proportion of supplier spend that is captured by contracts on the central register. The steps listed in the bullet points above are already being put into place to address this. In addition, with the implementation of Fusion we will be able to track the actual spend versus contract value to identify and address issues where these vary, such as the one listed in the report.	<p>Key timescales relate to measuring progress against the measures we have already put in place as follows:</p> <ul style="list-style-type: none"> • Q1 20/21: 60% contract coverage, including locating & uploading physical contracts onto contract management system • Q2 20/21: 70% contract coverage, including locating & uploading physical contracts onto contract management system • Q3 20/21: 80% contract coverage, including locating & uploading physical contracts onto contract management system <p>We will also be in a position to roll out dashboard to services by April 2020 to give them easy view of contract coverage in their own areas, alongside clear training for them to improve coverage of the lower value contracts.</p>	Implemented	N/A	<p>We continue to work with services to identify contracts to go on the register. The % of our total procurement spend for which we have identified contracts has increased to 58%. This is 2% less than the Q1 20/21 target but anticipate we will meet the 70% Q2 target. Progress in locating physical contracts has been slow with very limited responses to email requests for these over past 3 months - will focus on this over coming weeks.</p> <p>Dashboard identifying contract coverage within each Directorate/Service is ready to roll out</p> <p>A 'Quick Quote' tool is being developed as part of Fusion to ensure that all sub-OJEU procurements undertake a competitive process. This will go live in October.</p>	<p>The Power BI dashboard has been shared with officers and Directors to support the work to capture and complete contract details.</p> <p>Quick Quotes has been launched along with guidance and support to facilitate self-service.</p> <p>CPR training is being developed to support officers.</p> <p>An Annual Procurement plan is being developed which will further support compliance.</p> <p>A new approach to evaluation and social value is being developed to further improve VFM</p> <p>The initial analysis of on/off contract spend for LBH is underway –will report to the next audit committee</p>

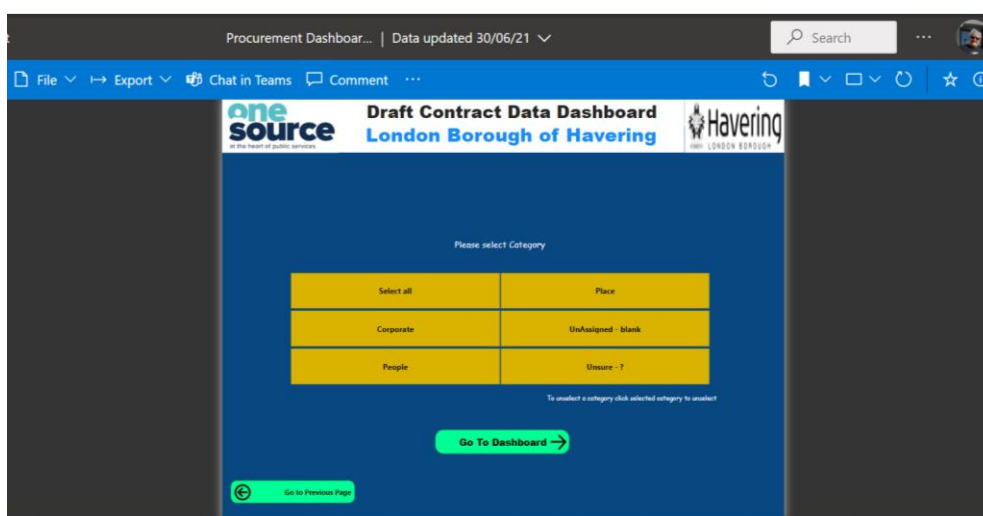
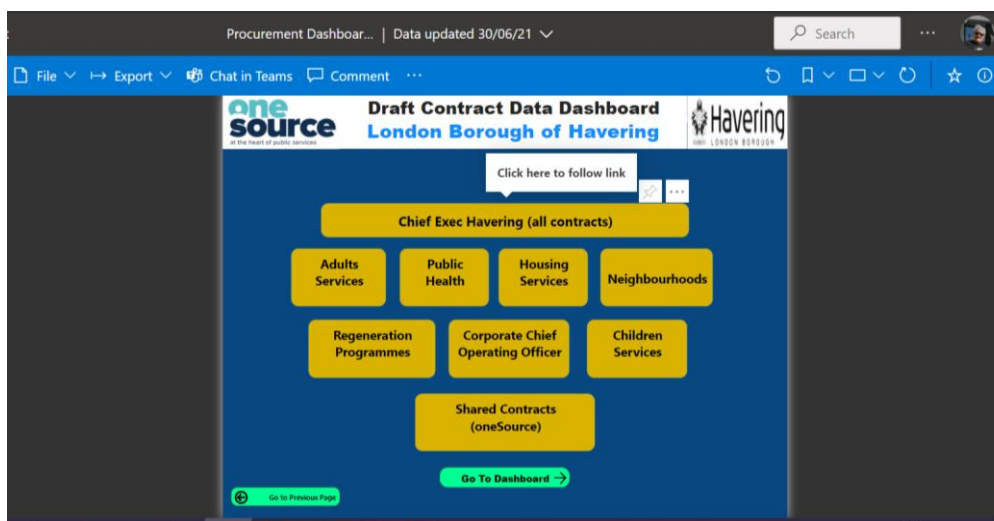
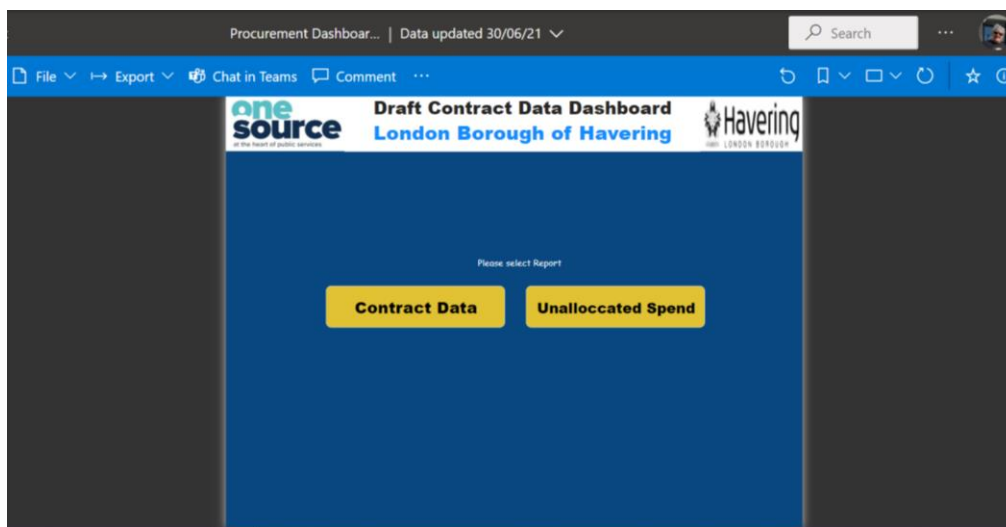
2	<p>The scope of the Council's No Purchase Order No Pay position should be outlined in a policy document that clearly identifies:</p> <ul style="list-style-type: none"> • The objective of No Purchase Order No Pay; • Roles and responsibilities; • Permitted exemptions from this rule including exemption criteria and who can authorise exemptions; and • Responsibility for compliance measures and oversight. <p>This policy should be clearly communicated to all officers across the Organisation prior to the introduction of Fusion, made available on the intranet and supported by the provision of training where necessary.</p>	M	Rose Younger Director of Procurement	The revised policy will be incorporated within the amended Contract Procedure Rules which are already under review. A new set of CPRs are targeted to go live in May 2020 and there will be associated training in these.	May-20	Open	Oct-21	<p>The new Contract Procedure rules have not yet received final approval. The Procurement service is developing new systems, processes, guidance and training to ensure ease of compliance with the new CPRs. It is important these 2 elements of work go-live at the same time. In the meantime the levels of controls against no po no pay have increased following the introduction of the Fusion system.</p>	<p>The revised procurement standing orders have been drafted to include the relevant No purchase no pay policy. The final draft is in the process of being reviewed and is provisionally planned to go to Governance Committee in August and full Council in September</p>
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3	Given the Council operates a self-service model placing responsibility on managers to ensure compliance with Council policies and procedures, the Procurement Team should introduce exception reporting post the introduction of Fusion, to identify cases of non-compliance for escalation to Heads of Service / Directors.	M	Rose Younger Director of Procurement	We have agreed that the AP team will manage enforcement of the policy on a transaction by transaction basis in the future. This will require development of standard letters etc. (e.g. when returning invoices to providers). The Procurement Department will take responsibility for enforcement at a managerial level. This will be done as part of conversations that the team should be having routinely with Heads of Services & Directors around procurement activity. It will be informed by the development of management reporting that will identify Directorate/Service/budget holder hotspots and trends around non-compliance.	Jun-20	Open	Sep-21	The development of this report is now in final testing - work to share with CLT and Services commence in January 2021	<p>We have been running drop in sessions to explain Fusion to staff. We will be running training to support the launch of the new CPR's and the new intranet pages support easy compliance.</p> <p>On/off contract spend is currently being analysed– this report will go to Directors and S151 to support corrective action.</p>
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APPENDIX 1 - Iprocure Dashboard



APPENDIX 2 - HAVERING CONTRACT REGISTER DASHBOARD – JUNE 2021- Screen Shots





CONTRACT Data

DIRECTORATE: oneSource, Corporate Chief Operating Officer, Children's Services, Public Health, Adult Services.

CATEGORY: People, UnAssigned - blank, Place, Corporate, Unsure - ?



Back

192
No of Contracts

126,152,396.31
Annual Amount

£1,297,566,396.52
Total Contract Amount

Enlarge Table

01/01/1990 30/12/299

Search by Supplier

All

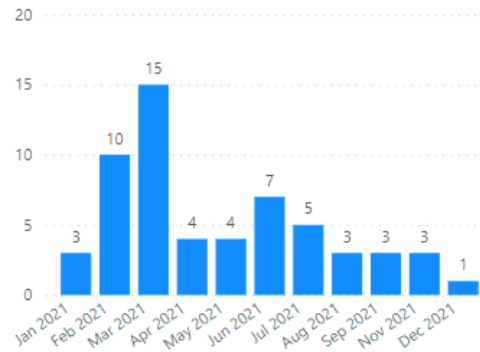
Contract Status

Select all

Closed

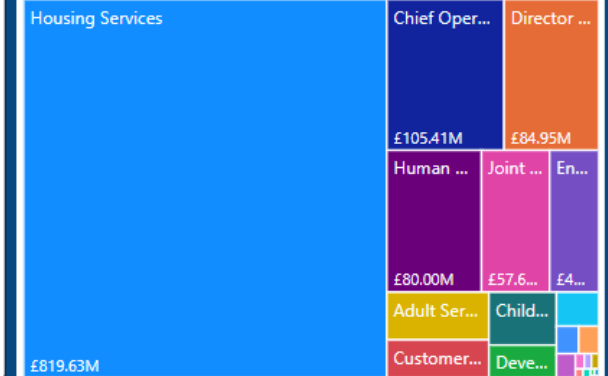
Open

Contracts Ending In Year



Suppliers Name	Total Contract Amount
4thD Landscape Services Limited	£31,208.50
A C Preou Ltd	£200,141.00
Adecco Uk Ltd	£80,000,000.00
Alcium Software	£2,707.00
Alliance Capital Ltd	£50,000,000.00
Allied Healthcare	£2,769,230.77
Anytime Care 2020	£2,769,230.77
Aqs Homecare	£2,769,230.77
Ardent Management Ltd	£10,000.00
Auditel Rental & Services Ltd	£71,954.50
Axis Europe	£410,644.34
Baily Garner	£164,312.35
Barking, Havering & Redbridge University Hospitals Nhs Trust	£231,000.00
Bettertogether Limited	£976,137.40
Bhrut	£3,000,000.00

Total Contract Amount by Services



Index	Start Date	Current End Date	Total Contract Amount	Annual Amount	Contract Title	Supplier Name
404	27 April 2018	26 April 2033	£800,000,000.00	53,343,211.71	Development Management Agreement	Wates Construction
391	17 August 2020	17 August 2027	£100,000,000.00		Complex Placements Framework	
143	03 December 2016	31 July 2021	£80,000,000.00	20,000,000.00	Mstar2 Manage service provider	Adecco Uk Ltd
380	01 February 2005	31 December 2025	£50,000,000.00	2,390,438.25	Investment Management Global Equities	Alliance Capital Ltd
379	01 January 2005	31 December 2025	£27,000,000.00	1,285,714.29	Investment Management Global High Yield Bonds	Citigroup Asset Man
145	01 August 2014	31 July 2021	£26,600,000.00	4,600,000.00	Waste and Recycling Collection Service	Serco Environmental
409	01 June 2016	30 September 2036	£23,256,000.00	1,143,893.97	Sport and Leisure Management Contract	Slm
356	02 March 2020	28 February 2025	£14,709,000.00	2,948,351.89	0-19 Healthy Child Programme Round 1	North East London N
247	09 November 2005	31 March 2022	£12,988,246.48	792,234.62	74 Neave Crescent	Outlook Care
196	02 December 2019	01 December 2021	£12,865,000.00	6,441,446.45	Beam Parkway Major Scheme	Jackson Civil Enginee
393	15 December 2020	15 December 2027	£10,500,000.00		Semi-independent and Supported Housing Accommodation for 16+ 18+ DPS	

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

Legal implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

Human Resources implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

Equalities implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.