

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

TO COUNCIL ON 18 OCTOBER 2018

This is a copy of Agenda Item 6 to the Committee on
9 October 2018

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Report Title	PROCUREMENT UPDATE
Purpose of Report	To receive an update on corporate procurement activity
Decision(s)	The Committee RESOLVES that each Directorate is reminded of the need to forward plan for any procurement, whether a completely new service or a renewal (as opposed to an extension) of a contract.
Consultation and Feedback	Internal only
Financial Implications and Risk Assessment	<p>There are no financial implications arising directly from this report.</p> <p>The Council is under a statutory duty to demonstrate Best Value and procurement, when undertaken in a planned way in accordance with Council policy and the procurement framework, plays an important part in achieving this. Some of the issues highlighted in this report may make it more difficult for Best Value to be demonstrated.</p> <p>Members are reminded of the Value for Money judgement provided by external audit in their annual report to those charged with governance (ISA260). If the Council is not able to satisfy external audit in their assessment, this may lead to a qualified opinion and may lead to additional costs and potential reputational risk.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p> <p>Failure to comply with the Council's procurement framework may lead to poor Value for Money and lack of transparency, resulting in political, financial and reputational risk.</p>

Legal Implications	No additional issues to report. Karen Trickey, Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: karen.trickey@stroud.gov.uk
Report Author	Sarah Turner, Principal Procurement Officer Tel: 01453 754346 Email: sarah.turner@stroud.gov.uk
Options	
Performance Management Follow Up	Further reports or information sheets will be provided to Audit & Standards Committee.
Background Papers/ Appendices	Audit & Standards Committee report – Procurement Review 2017/18 – 4 July 2017 Information Sheet – AS-2016/17-003

1. Background

- 1.1 The Audit & Standards Committee has been monitoring the Council's performance in relation to procurement and contract management over a number of years, particularly since the limited assurance identified by External Audit in September 2015 regarding "instances where the Council [had] not followed its own procurement policies by failing to operate an appropriate procurement exercise and by making inappropriate variations to existing contracts". As advised at the time, the impact of which inhibited the Council's ability to secure "economy, efficiency and effectiveness" in obtaining value for money for services, works and goods ("VFM"). The Committee will be aware that the Council is subject to a duty to obtain VFM under Section 3 of the Local Government Act 1999.
- 1.2 Members will recall, since that assessment, the committee has received regular reports / information sheets on progress made to improve the procurement undertaken to secure VFM. Simply by way of update in this regard, a Member Information event has being arranged for March 2019 to consider future procurement priorities of the Council as part of the procurement team's work to review the Council's procurement strategy. A further report will be provided to the Committee on relevant recommendations thereafter.
- 1.3 Further, Internal Audit has undertaken a review of a sample of procurement undertaken to provide assurance (or otherwise) of compliance with the procurement framework (namely CPPRs, internal guidance and the law). The latest internal audit is reported to this Committee in a preceding agenda item.

2. Issues

- 2.1 As the Committee will note, the latter report has highlighted that the governance framework is (still) fit for purpose and of the procurement activity reviewed, there were no significant issue of concerns, although as

always there is room for improvement! Inevitably internal audits cannot provide a comprehensive expert review of all procurements. Consequently in practice, the sample review, understandably, does reflect some continuing issues regarding service procurement which officers advising on procurement experience and which in the absence of significant involvement of the procurement team can mean that VFM is not always secured. As noted by Internal Audit, where advice has been sought from the procurement team, especially where officers have not carried out procurement previously, the relevant procurement activities have been completed in accordance with the Council's adopted framework.

2.2 Issues which have been identified by the procurement team indicate a significant failure on occasion to effectively forward plan for procurement activities. This is of concern given the 2016 / 2017 comprehensive training programme which was geared towards all staff managing and / or overseeing procurement and as noted in the Information Sheet March 2017, was well received by staff, raising awareness and understanding of how to secure VFM via effective procurement. There still appears to be considerable uncertainty amongst senior managers as to how to properly plan and prepare for procurement. In particular it is considered that:

- (a) There is not a consistent ability to anticipate and prepare for new procurements where existing contracts are about to end. In 2018, this has resulted in two (out of 29 contracts over £25,000) requests to the Monitoring Officer to approve 'urgent' extensions to contracts to prevent breaks in key services which would otherwise adversely impact service users. Further, unexplained delays in instigating a procurement have led to decisions having to be made when deadlines are imminent and / or have necessitated additional costs to secure service continuity in the interim. Proper preparation for procurement can readily enable the Council to advertise, receive tenders and award contracts within 4 to 6 weeks. Indeed, even procurements that exceed EU thresholds can readily be successfully completed within 3 months.
- (b) On occasion, the available exemptions are being used to circumvent the requirement for fair competition amongst potential suppliers to meet the Council's legal duty to secure VFM. For example, in 2018 requests have been made to appoint particular suppliers for convenience. Such requests have been made of the procurement team without any (or any proper) assessment of whether there are alternative suppliers and / or whether the preferred supplier satisfies a relevant framework agreement which provides a potential and legitimate 'short cut' (by virtue of pre-vetting) to a separate procurement.
- (c) Insufficient consideration is being given to how the tenders will be evaluated and / or what exactly the Council wants. Again, some recent examples illustrate the evaluation criteria incorporated into Invitations to Tender produced by the Council are such that it is not

possible to assess the VFM of individual bids to enable a justifiable contract award to be made, thereby causing further delay in project delivery and / or opening the Council to challenge from unsuccessful bidders.

- 2.3 The main problems appear to occur in officers either understanding and / or committing the time needed to ascertain what service, goods etc they actually need and what options are available to them. Despite the extensive training programme and guidance provided to officers, there still appears to be a perception of lawful procurement being too difficult and time consuming.

3. Recommendations

- 3.1 Whilst the Internal Audit report is welcome, it is recommended that the Committee resolve that the senior officers are reminded of the need to forward plan for any procurement, whether a completely new service or a renewal (as opposed to an extension) of a contract.