

**Name of meeting:** Corporate Governance & Audit Committee  
**Date:** 17<sup>th</sup> May 2019  
**Title of report:** Procurement Update

**Purpose of report**

To update on procurement compliance activity in financial year 2018/19. The report is for information and comment.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a>	Not applicable
The Decision - Is it eligible for call in by Scrutiny?	Not applicable
Date signed off by <u>Strategic Director</u> & name	Julie Muscroft 8 may 2019
Is it also signed off by the Service Director (Finance)?	Not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Yes
Cabinet member <a href="#">portfolio</a>	Cllr Graham Turner

**Electoral wards affected:** N/A

**Ward councillors consulted:** N/A

**Public or private:** Public

**(Have you considered GDPR?)**

**Check** [\(Link to Report Template Guidance – please read before writing your report\)](#)

## 1. Summary

- 1.2 The Contract Procedure Rules cover the procurement of all supplies (goods, works and services) and Income Contracts. The Contract Procedure Rules aim to promote the highest standard of probity, integrity and impartiality in making a clear, understandable and fair selection of suppliers and supplies to the Council. EU procurement rules also apply to the procurement of all works, goods, and services exceeding the EU Threshold
- 1.3 The Annual Governance Statement for 2017/18 noted that Procurement Rule compliance needed strengthening to protect the Council from legal challenge and ensure value for money. A new management structure had been agreed but yet to be implemented, designed to provide a more centralised focus and strengthen arrangements.
- 1.4 A procurement update was received at Corporate Scrutiny Panel on the 12<sup>th</sup> April 2019, papers are available here;  
<https://democracy.kirklees.gov.uk/documents/s28279/Item%207%20Report%20-%20Procurement%20update%20Corporate%20Scrutiny%20v2.pdf>

This report seeks to give an overview of headline activities undertaken to strengthen procurement rule compliance, key activities include;

## 2. Progress to date on the implementation of the new structure

- Steady progress in all recruitment activities continues to be made.
- 5 out of 6 of the Strategic Category Manager Posts were recruited to in September 2018.
- Recruitment was undertaken by mixed stakeholder panels to ensure the right balance of procurement expertise and specialist knowledge of the relevant category areas of spend.
- Further recruitment undertaken November 2018 (3 Senior Procurement Specialists) and January 2019 (4 Senior Procurement officers)
- Recruitment is currently underway to fill the remaining category manager post and senior procurement officer posts.
- The final area of focus is to look at apprenticeship opportunities and career pathways within the existing structure.

## 3. Progress to date on implementing a new approach to procurement across the Council Category Management;

- Category Managers are currently developing draft category plans for their particular areas of spend, focussing on local (& regional/national) priorities, opportunities and challenges. At a high level the strategies will identify key procurement pipeline activities, full contracts visibility, emerging risks and opportunities and a forward plan of activity (and any additional local key performance indicators agreed with key stakeholders.)
- Much of the category managers focus and activity to date has centred around stakeholder engagement and connecting with the local market (and running specific market engagement events)
- Category Managers are taking ownership for their particular areas and are working with Service Leadership Teams to continue to improve the visibility of Councils contracts register, highlighting key risks and feeding into the Councils risk management approach, raising non-compliant activities and agreeing actions to move to compliant arrangements and developing bespoke packages of training to be delivered across service areas.
- A key interdependency for the category managers is the ability to be able to receive accurate, timely reports on current council spending (as well as being able to call on

external data/market trend information). This is currently not readily available and takes a considerable time to manually collate.

#### **4. Procurement Measures**

A full suite of internal procurement measures have been developed to give more transparency around performance and impact (effective from 1<sup>st</sup> April 2019), these will be iterative and likely to change over time. Any savings recorded in the procurement measures remain as cash reductions within Directorate budgets to avoid double counting with the focus of procurement being utilised as an enabler across the Council. Further details of the measures on Appendix A. The measures focus on a range of qualitative and quantitative data covering the following areas;

##### **4.1 Benefits**

- Identifying financial savings using a clear rationale to indicate the type of savings (e.g. Price reduction, demand management)
- Added Value benefits; Demonstrating the added value/non cashable benefits achieved that link directly to the councils outcomes

##### **4.2 Category Management**

- Establishing category plans
- Risks; Proactively capturing, raising, managing, mitigating category specific risks and feeding information through to the corporate risk monitoring process
- Market trends; maximising the use of data and intelligence in order the category strategies add value by bringing knowledge of; market expertise, cost and price factors, supply chain pressures and options for models of delivery.
- Strategic Relationship Management; Identifying the top 10 high risk/high value suppliers in each category with a view to leveraging value from the relationship and creating value beyond the contract.
- Highlighting the benefits of category led approach through case studies

##### **4.3 Compliance & Process Efficiency**

Predominantly quantitative measures to capture volumes (e.g. number of procurements, number of contracts held on the contracts register, number of suppliers, number of aborted procurements, number of legal challenges etc.)

**4.4 Procurement staff;** Capturing skills and culture of the procurement team

**4.4 Stakeholder and supplier experience;** Capturing a sense of how easy it is to bid for contracts and work with the team alongside providing opportunities to feedback and apply any lessons learnt

**4.5 Supplier engagement;** Capturing the level and impact of proactive supplier engagement

##### **4.6 Social Value**

- Capturing the percentage of local spend at a Kirklees, West Yorkshire and Yorkshire & Humber level
- Capturing the percentage of spend with SMEs
- Evidencing the impact / benefits gained from the inclusion of social value criteria in procurement of goods, works and services.

There remains some challenges and interdependencies around the quality of our spend data and reporting mechanisms. Procurement are working with colleagues in the

Intelligence Hub and HD-One to address this (and recruitment will be underway shortly for a procurement analyst).

## **5. Key Challenges**

Whilst substantial progress is being made in regard to procurement compliance, a number of key challenges still remain which we continue to work on;

- Historically many procurement activities are urgent and there is considerable time pressure. Our focus is how we move from re-active procurement activities to a proactive state allowing enough time to ensure we deliver value for money (and give the market visibility of potential opportunities) through our new approach.
- Data; this a key interdependency, we need access to effective and reliable internal data (looking at historical spend) and external data (understanding market position etc.).
- Finding the right balance of proportionality and ensuring value for money.
- Specifications; we need to deliver adequate support and challenge to ensure that we are not over specifying or narrowing the market through our specifications.
- Contract Management; we need to ensure effective management of our contractors and consider how procurement can support Council contract managers to do this when a new contract is established.
- Brexit; if the UK leaves the EU without a deal, the public procurement regulations will remain broadly unchanged. The regulations will, however, be amended to ensure that they remain operable and functional on exit. The key difference for contracting authorities will be the need to send notices to a new UK e-notification services instead of the EU Publications Office. The key challenge will be around certainty of supply of potential price fluctuations.

## **6. Information required to take a decision**

Report for information purposes only.

## **7. Implications for the Council**

### **7.1 Working with People**

The work of the team in implementing our new approach to procurement is rooted in working with people and partners.

### **7.2 Working with Partners**

The work of the team in implementing our new approach to procurement is rooted in working with people and partners.

### **7.3 Place Based Working**

N/A

### **7.4 Improving outcomes for children**

Any improved outcomes for children will be recorded in the procurement measures.

### **7.5 Other (e.g. Legal/Financial or Human Resources)**

N/A

### **7.6 Consultees and their opinions**

N/A

**8 Next steps and timelines**

This report updates Corporate Governance and Audit Committee with the progress currently being made with regards to implementing a new approach to procurement. Next steps include full implementation of the new structure and the internal procurement performance measures over the financial year 2019/20. Further activities include development of a new procurement strategy and a revised social value framework.

**9 Officer recommendations and reasons**

Members are asked to note the update on procurement.

**10 Cabinet portfolio holder's recommendations**

Not applicable

**11 Contact officer**

Jane Lockwood, Head of Procurement and Commissioning Support – Legal, Governance and Commissioning

Telephone: 01484 221000 Email: [janea.lockwood@kirklees.gov.uk](mailto:janea.lockwood@kirklees.gov.uk)

**12 Background Papers and History of Decisions**

Corporate Scrutiny Panel, 12<sup>th</sup> April 2019

Corporate Scrutiny Panel session, 1<sup>st</sup> March 2019

Corporate Scrutiny Panel, 31<sup>st</sup> August 2018; Transformation Procurement Project

**13 Service Director responsible**

Julie Muscroft, Service Director – Legal, Governance and Commissioning, First Floor (Executive Suite), Civic Centre 3, Huddersfield

Telephone: 01484 221000 Email: [julie.muscroft@kirklees.gov.uk](mailto:julie.muscroft@kirklees.gov.uk)