

Overview and Scrutiny Committee Report

Ward(s) affected: All wards

Report of Director of Resources

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Procurement Annual Report: Updates on Procurement Service Strategy (2020-2023 including Core Financial Controls: Procurement internal audit recommendations (2021)), Procurement Savings Strategy (April 2020) and Modern Slavery Motion updates (Nov 2022).

Executive Summary

The Council spends approximately £50 million per annum on goods and services.

The Council have produced several separate documents relating to the Council's procurement activity namely:

Procurement Service Strategy 2020-2023
Procurement Savings Strategy April 2020
Modern Slavery Motion update FY21/22

In March 2022, the Council recommended that the various reports are combined to allow a more integrated approach to reporting on procurement matters.

Due to reporting timelines for the Modern Slavery Motion updates (publishing required within 6 months of financial year end) Corporate Management Board (CMB) recommended that the Modern Slavery update report for FY21/22 was separated for this iteration of the Procurement Annual Report).

This report is the first iteration of the combined report incorporating the various updates.

Procurement Service Strategy 2020-2023

The Procurement Service Strategy was adopted by GBC (Guildford Borough Council) Executive Committee on 26 May 2020 and supports GBC in delivering its strategic objectives and to ensure that, in the procurement of goods, works and services, GBC obtains the best value, namely, the required quality at the best price achievable. It outlines the strategic objectives of the procurement function along with how this supports the Council's corporate objectives.

The procurement service is broadly on track to meet this objective. Over the past 12 months we have more visibility around spend and are moving towards a holistic category management being adopted.

We are increasing engagement levels with services, which increases demand for the procurement service's finite resources coupled with continual recruitment and talent retention challenges means that there is more progress to be made in this area.

Procurement Savings Strategy April 2020

The Procurement Savings Strategy was approved in April 2020 with a savings target of £1.2m (cumulative) to achieve for general fund cashable savings for the four financial years of FY19/20 – FY22/23. This has since been superseded by a savings target of £1.555m (including a target of £355,000 for parks non-staff savings) for the FY21/22 to FY25/26 for savings which achieve a budget reduction for the General Fund only.

About **£900,000** of savings have been identified at various stages of implementation including:

- A total saving of about **£568,000** (i.e., a budget reduction has been achieved and implemented): this includes procurement activity such as Payment Acceptance contract replacement resulted in savings of about £233,000 and Software licencing retender saving about £42,000 over a three-year contract.
- Savings awaiting finance closure – totalling over **£250,000**: this includes items such as the lift maintenance contract retender
- Pipeline – forecasts which may not come to fruition. For example, the temporary resource contract (Comensura) when renewed/retendered has tentative savings of over £50,000 per annum.

The following savings types are excluded:

- those achieved by procurement activity in HRA (Housing Revenue Account),
- Capital Programmes,
- spending that is funded by reserves
- previously savings where the budget has been spent

Summary of General Fund Savings:

The target and savings achieved so far in the five-year period on a year-by-year basis are:

	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
Savings target (cumulative)	£189,000	£467,000	£933,000	£1,466,000	£1,555,000
Savings achieved (cumulative %)	£55,537 (4%)	£153,245 (10%)	£305,953 (20%)	£457,661 (29%)	£567,487 (36%)
Total Savings (including those awaiting finance approval (cumulative %))	£251,847 (16%)	£389,417 (25%)	£556,644 (36%)	£722,871 (46%)	£847,216 (54%)

Future savings

Inflationary pressures caused by the COVID19 and events in Ukraine mean that savings from tendering on a like-for-like basis alone are now becoming more challenging. This means that the Council will have to be more aggressive and identify new opportunities beyond those identified in the procurement pipeline as well as exploring opportunities for joint procurement with other local Districts and Boroughs. GBC procurement team attend the Surrey Procurement Group and explore opportunities to join other Districts and Boroughs in joint procurement activity.

In addition, Procurement is also trialling new methods of evaluating pricing, to ensure that savings opportunities are optimised during tendering or negotiating with suppliers.

Non-General fund savings

There are also other non-targeted savings, which are not included in the above target or savings achieved. These total more than £2,000,000, a full list can be found in the Savings Appendix. For example, a new compliant agreement for property adaptations has been implemented, which could potentially save the Council £461,000 over the financial years FY21/22 to FY25/26 and significantly reduce lead times and risks for works for property adaptations.

	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
Savings achieved to date (Cumulative)	£580,267	£937,383	£1,294,498	£1,651,614	£2,007,929

The Modern Slavery Charter

The Modern Slavery Charter was adopted in February 2020 by the then Leader of the Council to implement measures to respond to the rise in modern slavery in its safeguarding policy and procedures.

The Charter sets out specific measures to be undertaken to demonstrate adoption of the motion. Part of the commitment to adopt the motion is to report annually on the implementation of the Policy.

This annual report outlines how the Council, through Procurement and contract management, continue to implement the Modern Slavery Motion. There are ten specific measures which this report outlines progress to date. Additional steps the Council are working towards to strengthen this work area includes consideration of some emerging policy from the Home Office published in September 2020 requiring certain organisations with a turnover exceeding £36 million to produce a Modern Slavery Statement within 6 months of the preceding Financial Year.

A key output from the last 12 months is that all members of the Procurement Service have successfully completed the Chartered Institute of Procurement and Supply's (CIPS) ethical Procurement and Supply training.

The Annual report on the Modern Slavery Charter for FY21/22 was noted by OSC on 08 November 2022 to allow reporting timelines to be met. The report and details can be found here:

<https://democracy.guildford.gov.uk/ieListDocuments.aspx?CId=262&MId=1487>.

Core Financial Controls: Procurement – KPMG Governance, Risk & Compliance Services

The Council commissioned an internal audit report which concluded that The Council has implemented and approved a Procurement Service Strategy 2020-23, outlining the procurement strategic objectives around key areas. This drives the procurement processes, with the procurement procedure rules being updated, to bring them in line with the strategy.

However, the Council could not evidence that the strategic objectives outlined in the Procurement Strategy 2020-23 have been subject to consistent and regular monitoring and reporting throughout the Council's governance structure.

The Council's processes for identifying the need for procurement activity and updating service plans and the contracts register accordingly are not formally documented with clear review and approval controls. Since then, we have implemented the Verto programme management tool for collating service plans and maintaining GBC's contract register.

The Council has broadly well-designed procurement and tendering processes, with clear rules to follow regarding specific thresholds for purchases and contract amounts.

Recommendation to Committee

That the Committee notes the annual procurement report for financial year ending 31 March 2022.

Reason(s) for Recommendation:

The Council have an obligation to report annually on the implementation of the Modern Slavery Policy and provide an update on procurement activity.

Is the report (or part of it) exempt from publication?

No

1. Purpose of Report

- 1.1 To provide an annual update report detailing the progress made against the various procurement activities (for financial year ending 31 March 2022) to demonstrate progress and measures taken to implement the strategies and policies through Contracting and Procurement.

2. Strategic Priorities

- 2.1 Procurement supports the Council's Strategic Framework, in particular the Innovation theme as it encourages sustainable and proportionate economic growth to help provide the prosperity and employment that people need.
- 2.2 Procurement and Commissioning is a highly innovative work area which utilises technology and new ways of working to improve value for money and efficiency in Council services.
- 2.3 In addition, there are an ever-growing number of opportunities to collaborate with Waverley Borough Council, a recent example being Pest Control services tender. It is now standard practice to check for

collaboration opportunities and for above threshold tenders, the Procuring Officer must ensure that this check is done.

3. Background

3.1 Over the past few years, the Council have adopted several priorities for the Procurement Service. These include:

- Modern Slavery
- Savings targets
- Services Plan and
- Compliance with Core Financial Controls (Procurement) – as set out in the recent KPMG report.

3.2 The above bullet points have been reviewed and are summarised in the table below.

Area	Ref	Measure	Progress Update
Procurement Service Strategy (2020-23)	PST1	See Page 2 of report namely below To support the delivery of GBC's corporate objectives through the effective procurement of goods, works and services.	Procurement continues to disseminate procurement knowledge and market intelligence to services to align with GBC's corporate objectives.
	PST2	To identify and deliver cashable and non-cashable savings through effective procurement and the detailed analysis of GBC's spend profile.	See savings strategy.
	PST3	To provide a consistently high quality and effective source of best practice procurement advice, guidance to services within GBC including issuing instructions to GBC's legal team.	GBC procurement have issued several Knowledge Based Articles via service desk explaining the procurement function to services and have delivered several training sessions to teams (and are developing training for Councillors on procurement).
	PST4	To be a trusted advisor on all procurement matters.	Services frequently engage with procurement and have completed 95 instructions together with 172 procurement award requests in FY21/22.
	PST5	To help drive supplier and service innovation during the commissioning cycle and beyond.	Procurement actively engages with services and discuss best value concepts with service during the tender pack development.
	PST6	To provide insights into internal and external market trends to include benchmarking, market intelligence and spend analytics to support decision makers and commissioners.	Procurement service report findings to Corporate Procurement Board (CPB) during route to market options appraisals and attend industry events delivered by The Chartered Institute of Purchasing and Supply, The Chartered Institute of Public Finance and Accountancy and the Crown Commercial Service.
	PST7	Ensure the procurement process is conducted in an open, transparent, and fair manner which mitigates the potential for fraud and any potential Procurement challenges.	Procurement service have not received any challenges during FY21/22.

	PST8	To significantly contribute to the ongoing process of supplier relationship, contract, and performance management to drive out cost and increase performance standards.	Procurement Specialists frequently engage with suppliers post award to provide further detail and clarification of tender outcomes.
	PST9	To support services with contract management, negotiations, resolution of performance issues with existing suppliers, and the completion of some standard contracts.	Procurement engages with the service and legal teams to highlight and remedy any underperformance issues on contracts.
	PST10	To attend the Corporate Procurement Board to ensure compliance with the Public Contract Regulations 2015, review and approve exemptions/waivers to the Procurement Procedure Rules and to implement this Procurement Strategy	Procurement representation is compulsory for CPB, and procurement have attended all CPB sessions in FY21/22 and recorded decisions throughout.
KPMG Audit	PSTA1	Monitoring and updating service plans and contracts register There are no formal review and approval controls for the quarterly update to the Council's contracts register. The process for procurement officers updating the register and for service plan monitoring and updates is not formally documented.	The procurement service diarises the publication of the Contract Register each quarter.
	PSTA2	Monitoring and reporting on strategic procurement objectives The Council could not evidence that the strategic objectives outlined in the Procurement Strategy 2020-23 have been subject to consistent and regular monitoring and reporting throughout the Council governance structure.	Overview and Scrutiny Committee requested that there is formal arrangement for reporting against the objectives set out in each report.

Modern Slavery Motion	MSM1	Train the Procurement team to understand modern slavery through the Chartered Institute of Procurement and Supply's (CIPS) online course on Ethical Procurement and Supply.	All procurement specialist team members have undertaken the specified CIPS training and assessment.
	MSM2	Require its contractors to comply fully with the Modern Slavery Act 2015, wherever it applies, with contract termination as a potential sanction for non-compliance.	A clause is included in all the Council's Terms and Conditions which are issued for contracts by Legal Services. Legal Services also ensure that where alternate Terms and Conditions are used, they contain a clause requiring the same level of compliance.
	MSM3	Challenge any abnormally low-cost tenders to ensure they do not rely upon the potential contractor practising modern slavery.	Abnormally low Tenders have been challenged (and some rejected) in line with the Public Contract Regulations 2015. Only when a satisfactory reason is received to justify the abnormally low price would the Tender be considered compliant and therefore accepted. This will include consideration of whether the contractor is practising modern slavery.
	MSM4	Highlight to its suppliers that contracted workers are free to join a trade union and are not to be treated unfairly for belonging to one.	A paragraph has been added into the template Invitation to Tender (ITT) and Request for Quotation (RFQ) documents.
	MSM5	Publicise its whistle-blowing system for staff to blow the whistle on any suspected examples of modern slavery.	Under the modern slavery paragraph in the ITT and RFQ it is stated that the Council will report any contractor expected of being involved with Modern Slavery.
	MSM6	Require its contractors to adopt a whistle-blowing policy which enables their staff to blow the whistle on any suspected examples of modern slavery.	This has been included in the ITT and RFQ stating that contractors must abide by the Council's whistleblowing policy.
	MSM7	Review its contractual spending regularly to identify any potential issues with modern slavery.	The Council's Procurement Strategy adopted on 26 May 2020 specifies a Category Management model and a key component of this is spend analysis and visibility of expenditure across the organisation which is actively taking place.

	MSM8	Highlight for its suppliers any risks identified concerning modern slavery and refer them to the relevant agencies to be addressed.	A section within the ITT and RFQ stipulates that any indications of Modern Slavery will be reported to the National Crime Agency for investigation.
	MSM9	Refer for investigation via the National Crime Agency's national referral mechanism any of its contractors identified as a cause for concern regarding modern slavery.	The Council has not made any referrals to date because there have not been any contractors identified as a cause of concern regarding modern slavery.
	MSM10	Report publicly on the implementation of this policy annually.	This report is the second annual report and there will be a further report available in 2023.
Procurement Savings Strategy	PSA1	Savings target of £1.55m to be achieved in the FY (Financial Year) 21/22 to FY26/27	<p>£567,487 budget reductions achieved and approved by finance in the period FY21/22 to FY25/26 to date resulting in general fund savings.</p> <p>C. £2m has been achieved for other savings types – such as cost avoidance, HRA savings and Capital expenditure reductions.</p> <p>A full list of savings achieved can be found in the Savings Appendix.</p>

4. Consultations

- 4.1 Councillor Joss Bigmore – Deputy Leader, Lead Councillor for Finance and Planning Policy.

5. Key Risks

- 5.1 Modern Slavery: If progress is not demonstrated in relation to Modern Slavery and an annual report is not provided to Committee the Council are not fulfilling their obligations under the Modern Slavery Motion and financial penalties may be imposed. The penalties may be imposed on organisations who fail to meet their statutory obligation to publish annual modern slavery statements.
- 5.2 Procurement service strategy: if these strategies are not continually updated and/or implemented, then there is a risk that the Council will not achieve its objectives.
- 5.3 Savings targets: despite a tough supply market it is necessary to continue to identify savings opportunities for the Council arising from procurement activities. Where savings targets are not delivered, there is a risk that the Council will overspend, with the consequences of reductions in service levels being seen.
- 5.4 Core financial controls: if the standards are not maintained in this area, the risks could be poor audit outcome and potentially exposing the Council to financial and procurement risks, for example fraud.

6. Financial Implications

- 6.1 Financial penalties may be imposed if the Council does not meet its statutory obligations as stated under Modern Slavery.
- 6.2 Where Procurement is continued to be under resourced, this is a restraint on Procurement's capacity to deliver.

7. Legal Implications

- 7.1 The Council as a public body has a duty to ensure that it is compliant with the Public Contract Regulations (2015) and is not complicit in modern slavery practice by identifying and reporting contractors who are breaching the Modern Slavery Act. The Council (by including a Modern Slavery clause in its contract terms) is passing its duty onto its contractors and any sub-contractors.

8. Human Resource Implications

- 8.1 Where procurement continues to be under resourced, there is restraint on procurement being able to deliver on its savings targets, the service plan and ensuring the Core Financial Controls are met.
- 8.2 There may be opportunities presented by the Guildford and Waverley collaboration which may impact resource requirements.

9. Equality and Diversity Implications

- 9.1 This report concerns ethical procurement and the eradication of Modern Slavery in Council contracts, there is therefore a strong theme of equality running throughout this report.

10. Climate Change/Sustainability Implications

- 10.1 No specific Climate change/sustainability implications apply. Procurement processes do challenge tenderers to support achievement of the Council's net zero target.

11. Suggested issues for overview and scrutiny

- 11.1 Overview and Scrutiny are asked to note the annual update report.

12. Summary of Options

- 12.1 Option 1 - to note the contents of this report including the progress made so far.
- 12.2 Option 2 - to not consider this report.

13. Conclusion

The Council will continually monitor progress against the targets that have been set for Procurement.

14. Background Papers

Not applicable

15. Appendices

- 1. Core Financial Controls: Procurement December 2021
- 2. Procurement Savings Strategy April 2020
- 3. Procurement Service Strategy 2020-23
- 4. Savings Appendix