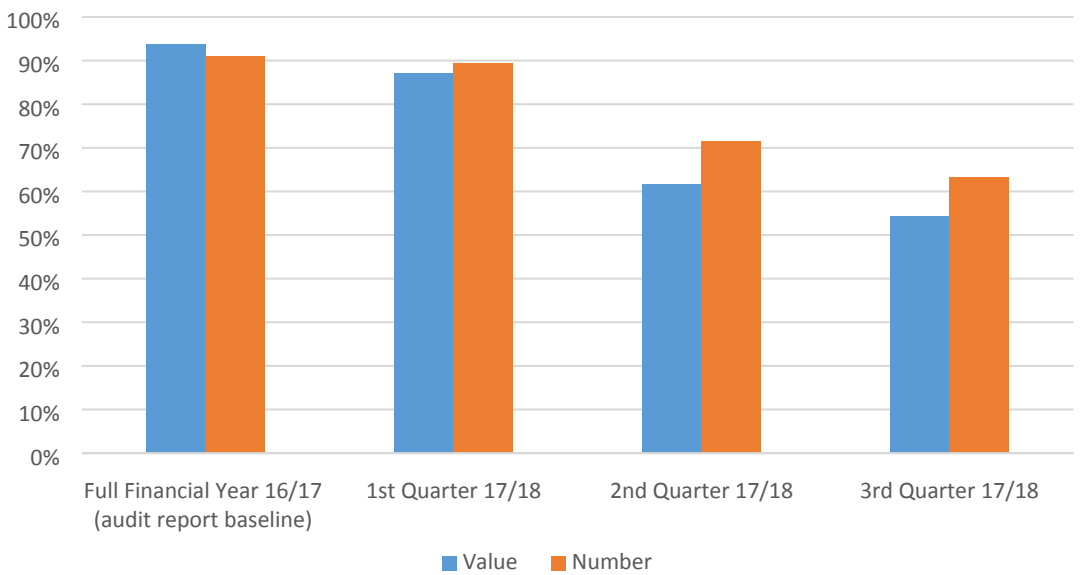


<b>DECISION-MAKER:</b>		<b>GOVERNANCE COMMITTEE</b>	
<b>SUBJECT:</b>		<b>Procurement – Sub £100k spend</b>	
<b>DATE OF DECISION:</b>		<b>12 February 2018</b>	
<b>REPORT OF:</b>		<b>Service Director, Digital and Business Operations</b>	
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Paul Paskins</b>	<b>Tel: 023 8083 4353</b>
	<b>E-mail:</b>	<b>paul.paskins@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>James Strachan</b>	<b>Tel: 023 8083 3436</b>
	<b>E-mail:</b>	<b>james.strachan@southampton.gov.uk</b>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
<b>N/A</b>			
<b>BRIEF SUMMARY</b>			
This report updates the Governance Committee on the actions set out in the report entitled “Procurement – Sub 100k spend” which was presented to Governance Committee on 24 <sup>th</sup> July 2017.			
<b>RECOMMENDATIONS:</b>			
	(i)	The Governance Committee notes the progress in improving compliance and the further remedial actions which are being implemented.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	The issues outlined in this paper are long-standing and challenging to resolve, but are being addressed through a series of robust remedial actions. The evidence demonstrates that these actions are having a marked positive effect, but there is still, however, significant non-compliance. Further remedial measures are being introduced over the coming months in order to make further improvements in compliance.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	N/A		
<b>DETAIL (Including consultation carried out)</b>			
	<b>Background and Scope</b>		
3.	This report updates the Governance Committee on adherence with what is known as the ‘Sub £100k’ procurement process (i.e. procurement activities and projects with spend of less than £100k which is managed by the Sub £100k Team, which is part of the Procurement Service). Such spend is referred to as “In-Scope Spend” for the purpose of this report.		
4.	The Governance Committee are asked to note that if officers fail to adhere to the prescribed processes, the council may in some cases be missing opportunities to reduce some costs relating to the engagement of third party suppliers.		

5.	The Governance Committee are further asked to note that, in many cases, non-adherence to the process would have no effect on costs to the council and would not have meant that there has been any breach of legal obligations.
6.	There is no known evidence of any officer undertaking fraudulent activity in regard to the Sub £100k procurement process. If any fraudulent activity is identified as a result of the actions described in this report, then this would of course be dealt with in accordance with the council's Disciplinary Policy.
7.	<p>The Supplier Management function was established in late 2016. Part of the remit of this function is to oversee the council's third party spend and the issues detailed in this report regarding adherence to the Sub £100k process were quickly identified. The supporting data was supplied to the associated audit by the Southern Internal Audit Partnership in respect of Procurement (Sub 100k) 2016/17 ("the audit report").</p> <p>The audit report found that <i>"limited assurance could be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives"</i> and a number of management actions were put in place to address this.</p>
8.	<p>This report focusses on procurement requests of less than £100k in total value which should adhere to the Sub £100k process as set out in the Contract Procedure Rules (CPR's), which form part of the council's constitution.</p> <p>The arrangements for "feeder systems" (and other spend which does not pass through the Procurement Service on a case by case basis) are being reviewed and the related spend is not include within this report.</p>
9.	This report also excludes activities which relate to spend below £100k which has been made against existing contractual obligations and exemptions which have been granted in accordance with the CPRs. In accordance with the scope of the audit report, it also excludes Integrated Commissioning Unit (ICU) spend, for which activity has not fully been undertaken by the Sub £100k function. The spend referred to in this paragraph 7 is referred to as 'Out of Scope' for the purpose of this report.
10.	CPRs mandate that all procurement activity above £1,000 in value is managed by the Sub 100k team to ensure that for these relatively low value, high volume requests; council officers are clear that they should not procure such requirements themselves.
	<b>Issues</b>
11.	The key issue identified by the Supplier Management team and highlighted in the audit report related to spend for which there is no current contract and where purchasing officers undertake the procurement themselves, in some cases without following the CPR process. For example, making a commitment to pay

	before a purchase order has been authorised and/or directly engaging a supplier for an above £1,000 requirement without involving the Sub £100k team.																									
12.	<p>This report provides:</p> <ul style="list-style-type: none"><li>an update against the actions recommended by the audit report and</li><li>“non-adherence to process” data for the period between 1<sup>st</sup> July 2017 and 31<sup>st</sup> December 2017 compared to the previous 15 month period (1<sup>st</sup> April 2016 to 30<sup>th</sup> June 2017) which was presented in the Procurement – Sub 100k spend” report in July 2017.</li></ul>																									
	<b>Data associated with the Sub 100k Procurement Process</b>																									
13.	<p>The table below sets out the levels of adherence to the Sub £100k procurement process in the context of the total In-Scope and Out of Scope third party spend processed by the Procurement Service for each period.</p> <table><tr><th></th><th><b>In-Scope spend</b></th><th><b>£ of In-Scope Spend not adhering to process</b></th><th><b>% of In-Scope Spend not adhering to process</b></th><th><b>Total In-Scope and Out of Scope spend</b></th></tr><tr><td><b>1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 (12 months)</b></td><td>£27 million</td><td>£25.2 million</td><td>93%</td><td>£142 million</td></tr><tr><td><b>1<sup>st</sup> April 2017 to 30<sup>th</sup> June 2017 (3 months)</b></td><td>£2.5 million</td><td>£2.2 million</td><td>88%</td><td>£52 million</td></tr><tr><td><b>1<sup>st</sup> July 2017 – 31<sup>st</sup> July 2018 (3 months)</b></td><td>£2.03 million</td><td>£1.25 million</td><td>61%</td><td>£20.25 million</td></tr><tr><td><b>1<sup>st</sup> August 2017 – 31<sup>st</sup> December 2017 (3 months)</b></td><td>£1.48 million</td><td>£800k</td><td>54%</td><td>£14 million</td></tr></table>		<b>In-Scope spend</b>	<b>£ of In-Scope Spend not adhering to process</b>	<b>% of In-Scope Spend not adhering to process</b>	<b>Total In-Scope and Out of Scope spend</b>	<b>1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 (12 months)</b>	£27 million	£25.2 million	93%	£142 million	<b>1<sup>st</sup> April 2017 to 30<sup>th</sup> June 2017 (3 months)</b>	£2.5 million	£2.2 million	88%	£52 million	<b>1<sup>st</sup> July 2017 – 31<sup>st</sup> July 2018 (3 months)</b>	£2.03 million	£1.25 million	61%	£20.25 million	<b>1<sup>st</sup> August 2017 – 31<sup>st</sup> December 2017 (3 months)</b>	£1.48 million	£800k	54%	£14 million
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Chart 1 - Summary of data 1 <sup>st</sup> April 2016 – 31 <sup>st</sup> December 2017																										

	<div><p>Non-adherence to Sub £100k process</p><table><thead><tr><th>Period</th><th>Value (%)</th><th>Number (%)</th></tr></thead><tbody><tr><td>Full Financial Year 16/17 (audit report baseline)</td><td>95</td><td>92</td></tr><tr><td>1st Quarter 17/18</td><td>88</td><td>90</td></tr><tr><td>2nd Quarter 17/18</td><td>63</td><td>73</td></tr><tr><td>3rd Quarter 17/18</td><td>55</td><td>65</td></tr></tbody></table></div> <p>Chart 1 demonstrates that there has been a consistent increase in adherence to the Sub £100k process since data was last presented to the Governance Committee in July 2017.</p> <p>This should be noted in the context of the overall below £100k spend across the council (incorporating both In-Scope Spend and spend referred to in paragraph 6 of this report) which is not represented in this data.</p>	Period	Value (%)	Number (%)	Full Financial Year 16/17 (audit report baseline)	95	92	1st Quarter 17/18	88	90	2nd Quarter 17/18	63	73	3rd Quarter 17/18	55	65
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	<b>Remedial Action</b>															
14.	An update against the actions recommended by the audit report and the previous “Procurement – Sub 100k spend report” is set out in Appendix 1 to this report.															
15.	In addition to the actions above, the following activity has been undertaken since July 2017 with the purpose of improving adherence rates with the Sub £100k process:															
16.	A revised Procurement Strategy has been developed and was approved at the Cabinet meeting on 16th January 2018. This sets out the council’s requirement for a centrally managed procurement service to achieve best value and compliancy for all council procurement activity.															
17.	Development and implementation of the Procurement Service Development Plan which includes:- <div><div>a.</div><div>Developing (and rolling out during February - March 2018) a mandatory e-learning training package for all relevant officers which focus on when and how council money can be spent.</div><div>b.</div><div>Reviewing procurement processes and documentation including making more prominent the Sub £100k procurement process on Staff Stuff (the intranet);</div><div>c.</div><div>Developing focused and clear process maps reflecting key “user</div></div>															

	<p>journeys” and roles and responsibilities;</p> <p>d. Developing easy web links with service information via Staff Stuff including contact information, improved forms and guidance;</p> <p>e. Working with service areas to establish what their repeat needs are and procuring contractual arrangements to allow these needs to be met quickly and easily;</p> <p>f. Reviewing cross council spend to ensure that repeat requirements are effectively identified and procured compliantly and</p> <p>g. From April 2018, introducing a Requisitioning module in the upgraded Agresso system to help automate processes, make authorised purchasing quicker and strengthen system-led controls.</p>
18.	Working with the ICU service area to develop Sub £100k processes.
19.	Development of the process to monitor adherence to the Sub £100k process.
	<b>Conclusions</b>
20.	The adherence data for the period July to December 2017 demonstrates a significant improvement in adherence to the Sub £100k process. The levels of non-compliance, however, remain significant.
21.	It is anticipated that the completion of actions required by the audit report, coupled with the implementation of the e-learning module in early 2018 and improving guidance around the Sub £100k process will result in further improvements in compliance with the process over the next 12 months.
22.	The Procurement and Contract Management Board (PCMB) will continue to monitor adherence to the Sub £100k process. Where appropriate, officers who do not adhere to the Sub £100k process may be subject to disciplinary proceedings in accordance with section 2.1 of the CPRs.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
23.	N/A
<b><u>Property/Other</u></b>	
24.	N/A
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
25.	N/A
<b><u>Other Legal Implications:</u></b>	
26.	N/A
<b>RISK MANAGEMENT IMPLICATIONS</b>	
27.	See main body of this report.

<b>POLICY FRAMEWORK IMPLICATIONS</b>		
28.	N/A	
<b>KEY DECISION?</b>		No
<b>WARDS/COMMUNITIES AFFECTED:</b>		All wards
<u>SUPPORTING DOCUMENTATION</u>		
<b>Appendices</b>		
1.	Progress against actions contained in audit report 2016-17	
<b>Documents In Members' Rooms</b>		
1.	N/A	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
<b>Other Background Documents</b>		
Other Background documents available for inspection at: N/A		
<b>Title of Background Paper(s)</b>		<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	N/A	