

Briefing Report to Scrutiny Committee 8 December 2014

Update from Procurement and Accounts Payable/VFM working group.

At a Scrutiny Committee on the 14 April 2014 it was agreed to form a small member Task and Finish group to assess the Council's financial arrangements in relation to securing value for money particularly in relation to Procurement and Accounts Payable service areas.

The T&F member working group consisted of: Members - T G Hughes (Chair), E J Berry, T W Snow and N A Way. Officers – AJ, JM, CB, CC and JS.

The initial meeting of this group agreed a brief of the items/areas that they wanted to explore in more detail. These main areas were:

- 1 - Basic overview of the Procurement and Accounts Payable processes
- 2 - To interview a senior member of staff from a procurement team of a neighbouring authority
- 3 - To interview the Head of BIS to give an overview of the cost of running the ICT service

Meeting 1 – 12 June 2014 (minutes attached)

Summary points from discussions:

- Interview with HofF to gain overview of what procurement does
- Establish what pan Devon work was ongoing
- Whether we could directly promote work to local companies
- Ask for HofBIS to attend next meeting
- Interview with Procurement Manager
- To agree next steps and establish further information that was required

Meeting 2 – 21 August 2014 (minutes attached)

Summary points from discussions:

- Interview with Procurement Manager from Devon CC to high light Devon-wide purchasing arrangements

Meeting 3 – 29 September 2014 (minutes attached)

Summary points from discussions:

- Interview with HofBIS to discuss systems/applications, costs and comparable benchmarking figures with other Councils.

Meeting 4 – 29 October 2014 (minutes attached)

Summary points from discussions:

Final and concluding meeting which agreed the following:

Members were pleased with the work of the Council's Procurement Team

It was AGREED that the positive work of the Procurement team should be promoted internally as there was an assumption that the team were just there to help buy things. This is already being helped by the quarterly Procurement workshops being run.

It was found very useful to have an external Procurement Manager to give an overview of what joint working was happening across the County

It was AGREED that this joint working should continue

It was AGREED that service managers are the buying experts – but it is the role of Procurement to carry out the tender exercise(s) and ensure all legal requirements are complied with once the service had specified the goods/services they needed.

It was AGREED that the HofF would provide an overview of the Accounts payable process.

AP process the payment of an invoice only after the service requisitions whatever goods/services are required (this is then checked by a supervisor/manager to agree whether the goods are needed, are within budget, and whether the fin regs have been followed – goods that are bought regularly are on preferential terms with agreed suppliers – that services have to use. If this is all ok the service manager will approve the requisition. Then once the goods have been rec'd – the original requisitioner has to log onto to the finance system to agree the goods have been rec'd (check quantity and standard of delivered goods). Only after this process has been concluded and we then receive an invoice for the goods will the AP team will pay the bill. This evidences a very clear audit trail and shows the many steps that must be completed prior to a purchase invoice being released for payment.

Findings/Conclusion

Members of this working group expressed their thanks to officers for providing a significant amount of information/time to enhance their knowledge of both the procurement and accounts payable functions.

It was agreed that Procurement could do more to enhance others (staff & members) knowledge of their role – this is being helped by the quarterly user group meetings now being held.

Members felt the existing arrangements with the other Devon authorities were working very well in order to maximise purchasing power with regard to a number of regular purchase items (e.g. stationary, utilities, etc.) and also worked well together in sharing resources to work on specific contracts that were Devon-wide (e.g. Devon Home Choice)

Members were made aware of neighbouring Authorities costs of ICT services and were re-assured that our costs were broadly comparable.

Members of the group felt that the current accounts payable process was very robust.

MID DEVON DISTRICT COUNCIL

SUMMARY of a **MEETING** of the **PROCUREMENT WORKING GROUP** held on Thursday 12 June 2014 at 10.00am in the Members Room, Phoenix House, Tiverton.

Present

Councillors: E J Berry, T G Hughes, T W Snow and N A Way

Officers: A Jarrett (Head of Finance), J May (Head of Human Resources, Learning and Development), C Busby (Procurement Manager), J Stuckey (Member Services Officer) and S J Lees (Member Services Officer)

1. **Election of Chairman**

Cllr T G Hughes was appointed Chairman of the Working Group.

2. **Apologies**

There were no apologies for absence.

3. **Aims, objectives and desired outcomes – project outline**

A general discussion took place as to what 'Procurement' means.

General background

The Head of Finance (HOF) explained that the Council had lost circa £2m of central government funding over the past 4 years. It was expected that the Formula Grant would be further reduced by £656k next year. Securing value for money had never been more important. Procurement as a service is audited annually and all arrangements heavily scrutinised. A half yearly report is presented to the Cabinet on the Procurement area detailing the work plan and the tenders and contracts being worked on.

The Procurement team comprised of 3 members of staff, 2 of which were part time. They primarily have an administrative / legal function and are not the buyers. They are not experts in particular fields of activity e.g. building therefore this is left to the officers who work in these areas.

MDDC operates within a pan Devon Procurement Strategy (signed by all Chief Executives) which is designed to secure value for money for all those all the agencies involved. Merging together ensures better buying power. The Strategy is due to be reviewed this year. By definition it is a strategic top level document, there are no supplier details listed. Other advantages in signing up to this Strategy is that the same sort of contract does not have to be negotiated 8 different times, it needs to only be done once. However, whilst the intention is to use the pan Devon Contract wherever possible there is flexibility to go outside of this for exceptional circumstances.

A general discussion took place as to what constitutes as 'local'. Ultimately the Council must bear in mind what is best for the tax payer and needs to ensure best price and best quality.

ICT

The Working Group expressed a desire to find out more about our ICT department and to perhaps visit other authorities (although the HOF asked whether Members were technically skilled enough to be able to compare complex IT systems across authorities and their associated costs?). Members asked why DCC and MDDC could not have the same ICT systems. The HOF explained that there were different contracts, different suppliers, whoever switched would incur thousands of pounds in compensation. Members suggested therefore that compatible systems should be a goal for the future.

MDDC currently spends £1m per annum on 30 different service areas, different systems, licences, staff etc. The HOF referred to Cornwall County Council who still did not have an integrated system 3 years down the line.

See separate scoping document attached.

4. **Interview with the Procurement Manager**

The Chairman requested that the Procurement Manager provide information in relation to where the Procurement Team go for advice, how the system works on a daily basis, how do they liaise with other authorities and how officers of the Council engage with the team. He also asked whether, given the further reductions expected in central government funding, any further savings / improvements could be made?

The Procurement Manager provided the following information:

- The Council operated under European Procurement laws since there was currently no specific British legislation in place. In addition to this the Council had its own Financial Regulations. The tender process followed very closely that prescribed by European legislation. This legislation was currently under review. One of the biggest challenges nationally was trying to ensure compliance. The Cabinet Office operated a system of 'mystery shoppers'. Mid Devon had one experience of this and it had been very positive in demonstrating our procedures are robust and fit for purpose.
- Further information was provided regarding the Devon Procurement Partnership. A range of public sector agencies were involved not just local authorities e.g. the Fire Service. Framework agreements were set up for on average a 3 year period, this would be subject to the nature of the contract. Individual Authorities set up framework agreements which were then shared with other authorities, for example, the furniture one was set up by DCC. There are two different ways that framework agreements work, one by a catalogue system with fixed prices and alternatively by further competition between the suppliers on the framework.
- A major benefit of being in the Partnership was the training costs being shared across the agencies taking part and the opportunities that this afforded.
- The Council was linked into the same e-tendering system as other partners.

- Confirmation was provided that the contract was always between the Council and the supplier, no third parties were involved.
- There has to be a prescribed objective process in place when dealing with tenders and contracts. Meetings are set up with potential suppliers where the process is fully explained so that they understand the Council's system up front.
- On the issue of using local suppliers she explained that the Council was not able to say 'it can only use Devon suppliers'. The legislation does not allow for this. However the Council could specify timescales which may prevent a supplier from far away places such as Scotland from engaging with us.
- She explained that officers were responsible for entering information onto the eProcurement system when they received the goods and services they have ordered. This information was mandatory before any supplier invoice could be paid.
- Payment terms could be flexible, suppliers could have immediate or 7 days rather than 30 days if they requested it.
- The Procurement Manager was asked what happens when a supplier puts their prices up. She explained that some markets are very changeable but the Council was able to build in a clause to a contract to state for example that prices could only be amended after 12 months or that if a price goes above a certain figure the contract will be terminated. This very much depended on the type of goods and services being supplied.

5. **Next Steps**

- a) Members need to receive information relating to ICT costs – what does it cost in terms of IT per head of population? **(CC / AJ / CB)**
- b) Copy of the pan Devon Procurement Strategy to be circulated to Working Group Members as well as a copy of the work plan. **(AJ / CB)**
- c) Members need to see a copy of the Contracts Register and what the current prices are. **(AJ / CB)**
- d) SL to set up a meeting with Procurement representatives from Devon County Council and Torridge District Council. **(SL)**

6. **Date of next meeting**

To be confirmed

The meeting closed at 12.00pm

MID DEVON DISTRICT COUNCIL

SUMMARY of a **MEETING** of the **PROCUREMENT WORKING GROUP** held on Thursday 21 August 2014 at 10.00am in the Lowman Room, Phoenix House, Tiverton.

Present

Councillors: E J Berry, N V Davey and T G Hughes

Officers: A Jarrett (Head of Finance), J May (Head of Human Resources, Learning and Development), and J Stuckey (Member Services Officer)

Others Present: Kevin Balding DCC Procurement Officer

1. Notes of the previous meeting – 12 June 2014

The notes of the previous meeting were agreed as a true record.

2. Discussion with Kevin Balding DCC Procurement Officer

The Chairman welcomed Mr Balding to the meeting.

The Officer explained to the Group that DCC were facing a similar cut to funding, in terms of percentage, as Mid Devon, but that in money terms this equated to around £110m. He explained that the County Council were approaching the cuts from a number of angles.

They were looking at statutory duties that must be done, non-statutory duties that were nice to do but could be considered for cuts and were also considering other methods of delivery. He felt that DCC were going to become more of a commissioning authority with staff actually employed by the authority being reduced. Internal departments would be externalised and the authority would be working with community led organisations. Partnerships were already in place with other organisations, such as Norfolk.

With regard to partnership working he explained that the authority were keen to do this but it was important to ensure that the right partners were chosen and that both were going in the same direction. Some partnership working had not been successful because the organisations involved were looking for different outcomes.

He explained that Mid Devon was part of a Procurement Partnership with all Devon Authorities. This gave many benefits, such as an electronic procurement system which provided one portal for the entire south west. It gave savings on common goods and services such as stationary. The energy contract had created great savings when all of the local authorities had combined their spend to gain greater efficiencies.

Examples of joint buying included stationary, furniture, water coolers, tree services, agency staff and many more.

Mid Devon had hosted an event for local companies to find out how to tender for local authority work. This had been successful with several hundred companies represented.

DCC were currently working on electronic ordering and paying regular bills automatically so that the cost of paying invoices could be reduced.

Next steps included an annual spend analysis. Mid Devon had agreed to be part of this. The Devon Procurement Group would look at all spend by all of the authorities to identify high areas of expense. These areas could then be tendered for as a group which would generate cost savings.

The Group then discussed IT issues. The Officer from DCC and the Head of Finance agreed that in order to make savings with IT systems it would be necessary for authorities to join together. However, this would probably involve investment in order to ensure that the authorities were all using the same systems. The admin costs may outweigh any savings. At the moment there were many different software applications in use, with contracts at varying stages. East Devon, Exeter City and Teignbridge were in the process of joining their IT provision and the Head of Finance and the Head of Business Information Systems would be keeping an eye on this.

The Devon Procurement Group used Exeter University to provide training in order to keep their Officers up to date.

Mr Balding explained that Procurement at DCC had already reduced its staffing levels but he did not expect any further cuts in the next three years. This was because the service was itself being used to implement further cuts.

The Chairman thanked Mr Balding for his time.

3. **General discussion**

The Head of Finance provided the Group with a copy of the MDDC Contracts Register and the Procurement Workplan.

4. **Date of next meeting:**

The Head of Business Information Systems would be attending the next meeting. The Clerk would arrange a suitable date.

The meeting closed at 11.45am

MID DEVON DISTRICT COUNCIL

SUMMARY of a **MEETING** of the **PROCUREMENT WORKING GROUP** held on Monday 29th September 2014 at 3.30pm in the Exe Room, Phoenix House, Tiverton.

Present

Councillors: T G Hughes and T W Snow

Apologies

Councillors: E J Berry and N A Way

Officers: A Jarrett (Head of Finance), C Cross (Head of Business Information Services) and J Stuckey (Member Services Officer)

1. Notes of the previous meeting – 21 August 2014

The notes of the previous meeting were agreed as a true record.

2. Head of Business Information Systems

The Head of Business Information Systems gave a presentation in which she explained the progress that had been made in her service and plans for the future. (Copy of the presentation attached to notes.)

Discussion took place regarding:

Applications and software – there were several software applications available for Revenues and Benefits and Local Authorities were able to use whichever suited their needs. If there was to be more joint working this would need to be taken into consideration.

Most Devon Authorities used one of a choice of two software systems for Finance. When Mid Devon needed a new system only these two were considered, so that should there be joint working in future the same software could be used.

There had been large financial savings made by the removal of desk top printers.

Property data had previously been held on seven different applications. This had been consolidated to one system and had highlighted properties that had slipped through the net previously.

The total paid on licences was in the region of £405K, which included support and maintenance.

The Head of Business Information Services was about to start joint arrangements with North Devon District Council. This was not just a case of her time being split between the two authorities as had happened before when Managers had been shared, she explained that her aim was to run one IT Service for the two authorities, with multiple delivery points.

Salaries totalled £451,000K for 12 staff, software £405,000K including support and maintenance and hardware £14600K. £300K was allocated for capital bids.

The Officer had asked 18 other Authorities within Devon, Somerset and Dorset what their IT spend was. Only 4 Authorities (Sedgemoor, Mendip, Torridge and West Somerset) had responded. The Officer reported that Mid

Devon's expenditure was within the norm for these Authorities. **These figures would be given to the Clerk for issue to the Group.**

The Members of the Group present then requested a visit to the IT Service and the Head of Service took them there.

3. **Next Steps**

Cllr Snow requested that the Head of Finance explain procurement of vehicles and plant at the next meeting.

It was agreed that a further meeting of the Group would be required in order to discuss the information that had been gathered in previous meetings and form conclusions. From these conclusions the Group would need to agree on any recommendations and a draft report would need to be written to go back to the Scrutiny Committee.

4. **Date of next meeting:**

16th October 2014 at 10.00am

The meeting closed at 16.40

MID DEVON DISTRICT COUNCIL

SUMMARY of a **MEETING** of the **PROCUREMENT WORKING GROUP** held on 29th October 2014 at 10.00am in the Exe Room, Phoenix House, Tiverton.

Present

Councillors: E J Berry and T G Hughes

Apologies

Councillors: T W Snow and N A Way

Officers:

A Jarrett (Head of Finance), J May (Head of Human Resources, Training and Development) and J Stuckey (Member Services Officer)

1. **Notes of the previous meeting –29 September 2014**

The notes of the previous meeting were agreed as a true record.

2. **Form Conclusions and Recommendations**

The working group had held three meetings;

- At the first meeting the Head of Finance and the Procurement Manager explained the MDDC procurement process;
- At the second meeting a representative from Devon County Council attended and gave an overview on procurement at DCC and the Devon Procurement Partnership;
- The Head of Business Administration Systems attended the third meeting to give an overview on the cost of running the IT service.

Discussion took place regarding previous meetings. Members agreed that they had been very satisfied with the information given to the Group by the Procurement Manager at the first meeting. Members felt that the service was acting in a responsible manner.

It was also agreed that the representative from Devon County Council gave a good presentation and confirmed that Local Authorities and the County Council were working together well to get best buying power.

It was **AGREED** that joint working should continue to be pursued.

The Group discussed IT provision and the fact that the Council had a requirement for many licences due to the number of different services provided.

The Head of Finance outlined the current tender for recycling vehicles. Ten vehicles had been ordered and they would be arriving over the next few months. The vehicles would be more fuel efficient, operationally suitable and there would be a reduction in maintenance costs. The vehicles had been specified to accommodate future collection scheme options. The procurement of vehicles followed standard procurement rules and if the costs were over £50k they were subject to the tendering process.

It was **AGREED** that the positive work of the Procurement team should be promoted internally as there was an assumption that procurement just 'buy' things and there was currently little recognition of what procurement actually was and the work they carry out.

Members **AGREED** that the report should also explain that service managers are the experts in their field and are allowed to specify their requirements. The Procurement Service carry out the tender exercise and legal requirements but always work to the specification laid down by the service.

It was **AGREED** that in his report the Head of Finance would make reference to the accounts payable service and would explain the safe practices that had been put in place to reduce risks in this area.

3. **Next Steps**

The Head of Finance would draft a report which he would distribute to the Group, with the intention of reporting back to the Scrutiny Committee at the meeting being held on 8th December 2014.

The meeting closed at 10.45am