

Audit Committee – 28th January 2010

7. Monitoring and Control of Procurement Activity - Update

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Purpose of the Report

At the Audit Committee meeting on the 27th August 2009, the presenting officer, Gary Russ, indicated that the number of referrals to him under the new Procurement Procedure Rules had declined. Audit Committee members were assured by this as it indicated a real need for the new procurement rules and showed they were freeing the officers up to make purchasing decisions independently below the de-minimus levels.

However members had a concern that control and influence over some of those purchasing decisions could be lost, as regards any central procurement control or influence. Members therefore requested that a report should be brought back to committee with information on how the Procurement and Risk Manager could have control and feedback as to what was going on at or below de-minimus levels (see section from Procurement Procedure Rules attached for reference at pages 10-11).

Recommendations

- (1) That members note the report and comment accordingly;
- (2) that the role of the Procurement Board, (made up of lead officers from the main services of the Council) be endorsed;
- (3) that the Committee support the continuing efforts to use purchase orders and the purchasing system as a means of giving the Procurement and Risk Manager visibility over local procurement activity.

Background

Like most Councils in England and in any large organisation, budgets have followed the service provision (Devolved Budgets), as clearly this has been advice and policy from central government for many years. It is often difficult to argue against managers at the coalface needing to be able to make spending decisions as they see fit at the time.

However, over time this can lead to poor procurement decisions being taken, with spending being fragmented, and more often than not a huge supplier list being generated with much inefficiency in the process.

Many independent reports into procurement in the public sector over the last 10 years have indicated that a degree of centralisation and more procurement control was needed to make better use of spending within the public sector organisation.

Along with this was a need to modernise Standing Orders and council guidance in relation to tendering and procurement to enable us to move from lowest price to "Best Value".

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Monitoring and Control of Procurement Activity

The actions taken together with controls for procurement activity must be seen in the context of an ongoing process of improvement and the application of new technology.

I have indicated below the areas and the controls either in place or that will be in place early in 2010.

- A contracts register maintained by procurement leads within the services. This allows any procurement contract issues to be addressed and me to see who we should be spending money with.
- Various reports from the finance section: -
 1. All invoices over a given limit.
 2. All Purchase orders over a given limit.
- We are to encourage the use of purchase orders via a number of incentives, such as if a purchase order and a GRN (Goods Received Note) are generated and agree, then no manual sign off will be needed, thus making the process faster and easier for managers and staff. (See previous agenda item 6 - "Purchase Orders - Update on Improvements to Finance System").
- The formation of the Procurement Board comprising lead officers from the main services who will come together on a monthly basis to talk about procurement activity and issues both from a service perspective and a corporate nature.

These actions combined with the moves we have made in the last couple of years to centralise budgets and bring them under more corporate control have and are leading to better more effective procurement decisions and lowering the cost of procurement all the time at SSDC.

To date we have central corporate arrangements in place for: -

Office supplies
Printed material
PC Hardware (Computers)
Vehicles
Furniture
Mobile phones
Telephony and data networks
Utilities, such as Gas and Electricity

All the above have central management via Support Services, with central billing and regular account management meetings with the suppliers. In most cases Support Services are able to monitor and check on buying activity, in a real time electronic environment.

Financial Implications

Failure by the Council to grasp these areas of spending activity and exercise correct and proper control, whilst allowing managers to conduct business as normal, could be a vital failing if we do not get it right.

Services could be in breach of both financial procedures and procurement procedures if care is not taken.

Further, during times of severe budgetary control it is vital we maximise our spending power and do so in the most effective and efficient way possible.

Background Papers: Waivers to Contract Standing Orders/Procurement Procedure Rules - report to Audit Committee, August 2009.
Procurement Procedure Rules.

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8. Date of Next Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday, 25th February 2010 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.