



Meeting	Performance & Resources	Agenda Item	12
Meeting Date	25 January 2021		
Report Author:	Director of Corporate Services		
Presented By	Director of Corporate Services		
Subject	Procurement Next Steps		
Type of Report:	Information		

RECOMMENDATIONS

Members of the Performance & Resources Board are asked to note the approval from SLT to proceed with the external commissioning of an independent commercial procurement consultancy to assist with a full review, recommended outcomes and implementation of key improvements.

The outputs of the external review which will formulate our actions for change will continue to be reported through SLT and P&R. Furthermore these will be re-assessed during the follow up audit in March by RSM.

BACKGROUND

RSM conducted an internal audit in July 2020. This was a specialist audit of Procurement was undertaken as part of the 2019/20 internal audit plan. The audit set out to review the current procurement practices at the Service (based on a sample set of procurement exercises) and to ensure that there was compliance with the current procurement policies and procedures. RSM were provided with the current financial and procurement regulations (last reviewed March 2017), as well as an updated / draft version of these regulations.

The total value of third party spend at the organisation (based on the 'total contract value' field within the contracts register) is equivalent to £46,366,086. RSM reviewed three procurement exercises as part of our sample. These comprised of the following, including their lifecycle values (as stated in the contracts register) and the dates on which the contracts were awarded:

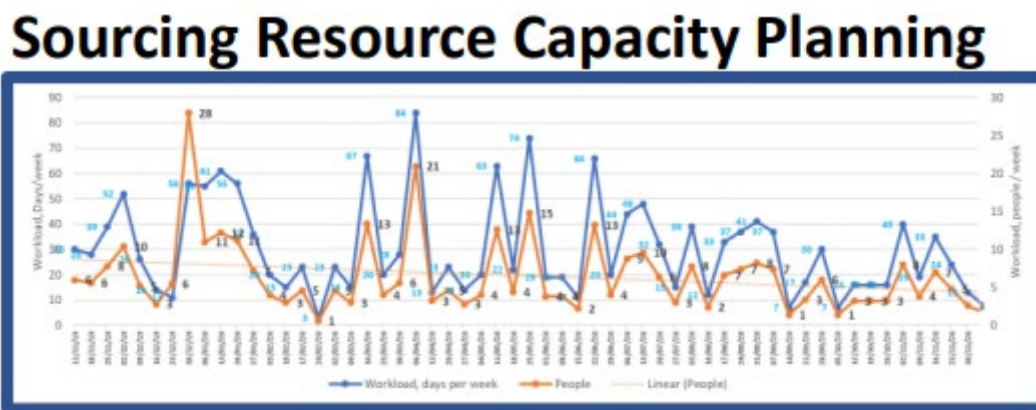
- Ongar fire station refurbishment – £388,761 – February 2019.
- Microsoft CRM support contract – £195,680 – February 2018.
- Daily periodic cleaning (two contracts) – £297,174 – January 2013.

The conclusion of the audit found scope to improve a number of areas of overall procurement function effectiveness, which could drive better value for money and commercial outcomes. These included the management of procurement records and data, formal reporting on procurement performance and activities, and governance and oversight of procurement decisions. We also saw areas for improvement around pre-procurement processes for key procurement engagements and challenged some of the practices around waivers. In addition, we also found that there was opportunity to improve the guidance related to procurement policies and procedures, which were found in both the existing and updated / draft financial regulations. The review found that the specialist procurement support being introduced by the recently formed procurement team is making significant improvements to the overall culture around procurement at the Authority. However, given the nature of devolved practice around procurement activities, the procurement function relies heavily on influencing services on procurement activity. There have been some positive investments in practice by the procurement team which, once supported by overarching governance and improved procurement policy guidance, are likely to pay dividends.

The key finding was the management of the services contract pipeline which highlighted a number of key areas of improvement, particularly regarding contract management.

It is clear that ECFRS has a number of current contracts that have exceeded their contract value and have remained in a “rolled forward” position for a number of years. It is this particular area that we wish to focus on for improvement purposes, legislative purposes and to ensure that we are achieving value for money. Further detail on this particular aspect has been outlined below.

A common challenge that is encountered with public and utility sectors is the ‘contract bow wave’ (see diagram 1)



This is the year on year justification for extending contracts or worse continuing to use expired contracts by raising new PO’s against old agreements. There are innumerable reasons why this results in very poor value for money. A basic summary of this is outlined below.

Procurement teams typically feel that contracts need to be extended because they haven’t got time to go to market and OJEU rules/timescales will frequently be used as the reason. This is typically because the renewal deadline for contracts have overtime compressed so they all spike at either the financial or calendar year end often with 50%+ of all contracts expiring in the current year.

The “**Contract Bow Wave**” needs to be analysed to understand your ability to address it. Capacity to tender based on tender complexity will help us to understand average elapse time compared to actual ‘days effort’ required. This in turn will bring to life the resource gap in quantifiable terms.

The next challenge is to smooth out the “**Contract Bow Wave**” and remove the problem so that procurement can focus on more than just delayed tenders and contract extensions. Tactics include;

1. Accepting you cannot do everything and extend all the low risk contracts by 1-3 years buying you time to fix important/high risk areas first.
2. Consolidate requirements across multiple contracts into 1 where markets are mature and price is less critical to value e.g. Waste Management Service, FM, Agency Resource, Travel, the list goes on.
3. Use third party frameworks and dynamic purchasing systems, CCS, G-Cloud, Bloom etc.
4. Address delegated authority to push low value procurement activity to budget holders.
 - a. Preferred supplier lists
 - b. Lodge Cards
 - c. Catalogues

The critical path on a well-planned OJEU tender isn’t materially different to a private sector tender of similar complexity and the rules when used correctly serve to demonstrate equality, transparency and value for money. The basic ingredient to success are no more complex than;

1. Long term planning of contract renewals (begin with the end in mind)
2. Prioritisation and allocation of resources (to the big rocks)
3. Elimination of low value add activities (waste)

All of the above requires effective leadership, credible resources, and the right team structures at which point is should well synchronised.

OPTIONS AND ANALYSIS

Scope For Procurement Review

Barkers commercial consultancy who are also assisting the 7F Collaboration Programme have been commissioned to deliver a procurement review and recommendation report including a phased improvement plan.

They will deliver the report using their team of experienced Procurement Directors and appropriate subject matter experts, recommended activities include;

Procurement Activities

- Procurement Policy and Procedures – high level review existing end to end practices, contract templates and reporting.
- Savings opportunities – identification of high level opportunities to reduce third party spend based on twelve months spend data. Example opportunities based on our experience of what works in the reality or your business context.
- Governance and Reporting – consideration of factors such as actionable reporting information, supplier risk, performance, local sourcing and social value creation.
- Right size review – volume and type of procurement activity (including potential additional activity) with recommendation of optimal team structure.
- Proposed organisation structure including role profiles
- Further insight/analysis into the degree of procurement activity siting in the supply chain i.e. Estates team using service providers to pass through services they have themselves procured and/or subcontracted.

Key Deliverables

1. Procurement RAG status report highlighting key areas for ROI and the optimum structure to deliver against Essex Fire and Rescue business plan.

2. Phased improvement plan with benefits and estimated investment costs. Initial period: 11th January to 26th Feb

Preparation documentation to be reviewed:-

- (1) All procurement policies, procedures and process diagrams
- (2) Spend data for all suppliers, ideally all the following;
 - a. Contacts (some may be in the blue light database)
 - i. Contract name
 - ii. Vendor/s
 - iii. Award value
 - iv. Start date
 - v. End date
 - b. Purchase Orders (extracted in excel format)
 - i. PO value
 - ii. PO description
 - iii. PO line item details
 - iv. PO category of spend
 - v. PO Budget holder name
 - vi. PO Requisitioner name
 - vii. PO Requisitioning department
 - viii. PO Supplier name
 - c. Vendor database including supplier address (including post code)
 - d. Invoices
- (3) All existing procurement team reports
- (4) All governance meetings involving procurement ideally with terms of reference and standard agenda (only if they are available)
- (5) A breakdown of activities completed by the team day to day and the time allocated to each
- (6) Role profiles for all procurement roles

- (7) A list of all key stakeholders by department highlighting those that need to be interviewed
- a. Contact details for those requiring interview

BENEFITS AND RISK IMPLICATIONS

The benefits of commissioning an external third party procurement specialist to review and assist with implementing the required improvements is one of enabling a centralised approach to all aspects of procurement, whilst ensuring that key departments across the service are supported in the right way and the right time.

The risk of not enabling external assistance in this area could lead to a prolonged delivery of the audit recommended outcome and place the service at continued risk of non-compliance against procurement legislation.

FINANCIAL IMPLICATIONS

£15,000 – Fixed Cost

- 1 day data gathering/chasing
- 2-3 days data analysis, categorising & benchmarking
- 2-3 days interviews, write-up and cross-referencing
- 2 days report production
- 1-2 days client review, discussion and editing
- 2-4 days engaging on phased improvement plans, estimating benefits and client resourcing.
- 10-15 days effort with most time utilised by Barkers Director and/or Senior Managing Consultant.

This is being budgeted for though ECFRS Spend to Save Earmarked

EQUALITY AND DIVERSITY IMPLICATIONS

Any change to key processes will be subject to Equality Impact Assessments and key stakeholders within this external review. We want to ensure that all processes are inclusive and transparent.

WORKFORCE ENGAGEMENT

All members of the Procurement team have been briefed on the scope of the Barkers Commercial Consultancy review as have key stakeholders within other areas of the service such as Property, Fleet and ICT.

LEGAL IMPLICATIONS

The purpose of the review is to establish meaningful outcomes and clear deliverables to assist with ensuring that ECFRS is compliant against Procurement Legislation requirements. This will assist with ensuring that we are not exposed to any challenge from potential vendors when purchasing products or services.

HEALTH AND SAFETY IMPLICATIONS

None identified for the purposes of this report.