



EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Procurement Improvement Action Plan	To be marked with an 'X' by Democratic Services after report has been presented
Meeting of:	Corporate Management Team: 18 th October 2023	X
	Pre Cabinet: 26 th October 2023	x
	Leader's / Leader of the Opposition's Advisory Group: 2 nd November / 8 th November 2023	x
	Cabinet: 20 th November 2023	
	Audit Committee [DATE] / Scrutiny Regeneration, Development and Market Hall Committee [DATE] / Scrutiny Health and Well Being Committee [DATE] / Scrutiny Climate Change and Environment Committee / Scrutiny Value for Money Council Committee [DATE]	



Is this an Executive Decision:	YES	Is this a Key Decision:	NO
Is this in the Forward Plan:	YES	Is the Report Confidential: If so, please state relevant paragraph from Schedule 12A LGA 1972:	NO N/A

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer: **John Teasdale**

Date Signature

Interim Chief Finance Officer: **Lisa Turner**

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Cabinet

Date: 20th November 2023

REPORT TITLE: Procurement Improvement Action Plan

PORTFOLIO: Leader of the Council

CHIEF OFFICER: Mark Rizk

CONTACT OFFICER: Seán Loughran Ext. No. x1269

WARD(S) AFFECTED: Non-specific

1. Purpose of the Report

1.1. This report provides an overview of analysis undertaken on whole Council spend for the financial year 2022-23 to help deliver Corporate Plan Target LDR02 in producing a Procurement Improvement Action Plan.

2. Executive Summary

2.1. The Council paid £8,144,679 in 2022/23 to settle supplier accounts where a procurement process can apply. This has been calculated from a review of the Council's creditor system.

2.2. The amount paid to settle supplier accounts is an important part but not the full picture of the Council's expenditure in 2022/23. The full picture is shown in the 2022/23 accounts and includes other expenditure, such as payroll costs. The accounts also include other adjustments.

2.3. Spend analysis shows that 10% of this £8,144,679 is spent within East Staffordshire (£830,675). Spend within existing contracts is estimated to total £5,135,020.

2.4. The spend analysis provides useful insight into the Council's spending patterns and the potential benefits to the local economy. It will be helpful to monitor

spending patterns on an ongoing basis, to react to any emerging trends.

2.5. As there is a proportion of spend outside of the Borough and necessary updates to the Procurement Policy, for example as a result of the Procurement Bill, a Procurement Improvement Plan is proposed covering three areas:

- A Rolling Programme of Spend Analysis
- Revised Procurement Policy
- Ongoing Business Engagement

3. Background

3.1. The Corporate Plan contains a target “Create a Procurement Improvement Action Plan, based on Whole Council Spend Analysis” (LDR02).

3.2. The spend analysis process has taken place across August to October 2023 and has sought to breakdown the data into clear categories of spend, detailing where and how the Council has spent money throughout the year. The plan is to use this as a benchmark against further analysis of spend in future years.

4. Contribution to Corporate Priorities

4.1. Effective procurement is relevant to all Council services, and therefore this report contributes to all corporate priorities.

5. Spend Analysis 2022/23

5.1. Council spend, where a procurement process can apply, has been reviewed for the most recent full financial year (2022/23), considering geographical location, contractual spend and utilities.

5.2. Procurement Spend

5.2.1. Procurement spend is the purchase of works, goods or services i.e. where there are choices of multiple suppliers. Non-procurement spend covers financial outgoings outside of this, such as contributions to business rates pool, general grants, etc. i.e. where a procurement process is not applicable.

5.2.2. The Council paid £8,144,679 in 2022/23 to settle supplier accounts where a procurement process can apply. This has been calculated from a review of the Council’s creditor system.

5.2.3. Within this figure, £830,675 has been spent across East Staffordshire, which equates to 10% of total Council procurement spend. This is based on suppliers’ head office location, and makes no indication toward the local social value, for example where local residents are employed within the borough by organisations whose offices are situated outside East

Staffordshire. Specific examples of this are the Grounds Maintenance and Leisure Operating Contract suppliers. Illustrating this point, ID Verde have a base within the Borough delivering Grounds Maintenance, and Everyone Active operate the Council's sports and leisure facilities within the Borough, employing local residents and bringing economic benefits to the area, however their head offices are based outside the Borough.

5.2.4. A total of £7,314,004 has been spent outside of East Staffordshire, equating to 90% of total Council procurement spend. This is also based on suppliers' head office locations which are based outside of the borough.

5.2.5. Using our location information and the Town Hall as a basepoint for calculations, we have been able to conduct a further breakdown of procurement spend within East Staffordshire which has highlighted £1,174,131 of spend within a five mile radius of the Town Hall.

5.3. Spend Within Existing Contracts

5.3.1. To help understand spend from ad hoc purchases (for example below procurement threshold purchases or where quotations are to be obtained) an estimate of spend within existing contracts has been identified.

5.3.2. Spend within existing contracts is estimated at £5,135,020. This estimate has used cost codes to provide an indication of spend and follows a cross reference to the Council's Contracts Register, taking coding of spending at face value¹. This equates to approximately 63% of Council procurement spend for 2022/23.

5.3.3. A large majority of this spend (approx. £3m) relates to 3 large Council contracts as detailed in Table 1 below. N.B. Third Party Payments consists of multiple contracts including Leisure Management (i.e. Leisure Facility Operating Contract) (£151k), Recycling & Street Cleaning (£578k) and Enterprise, Housing & Audit (£72k).

Largest Three Existing Contracts	
Contracted Grounds Maintenance	£1,036,768
Third Party Payments	£800,505
Temporary Staff Costs (Comensura)	£649,935*

*This equates to approx. 6% of the direct employment costs of circa £10.7m

5.3.4. The Council's Non-Contracted spend totals £3,009,659.

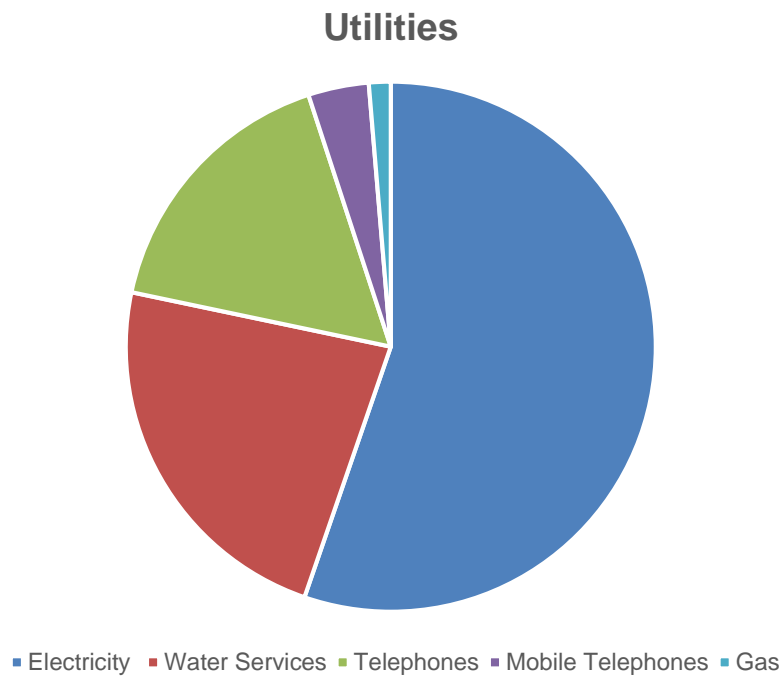
5.3.5. N.B. the majority of Direct Purchases relate to Waste Management cost centres including consumables, PPE and fuel; the majority of Accommodation purchases relate to housing options placements and the Next Steps Accommodation Programme.

¹ The analysis does not interrogate the individual invoices within these cost codes, nor compensate for any potential coding errors

Largest Three Non-contracted Spend Categories	
Temporary Staff Costs (non-Comensura)	£696,695
Direct Purchases	£495,449
Accommodation	£299,419

*This equates to approx. 6.5% of the direct employment costs of circa £10.7m

5.3.6. The Council's spend on utilities for 2022/23 totalled £240,604. This includes billing for Electricity, Gas, Water and Telephones:



5.4. Summary of Local Spend

5.4.1. The following diagrams provide an illustration to the locality of spend (as a distance from Burton Town Hall), broken down by procurement spend and procured spend outside of existing contracts:

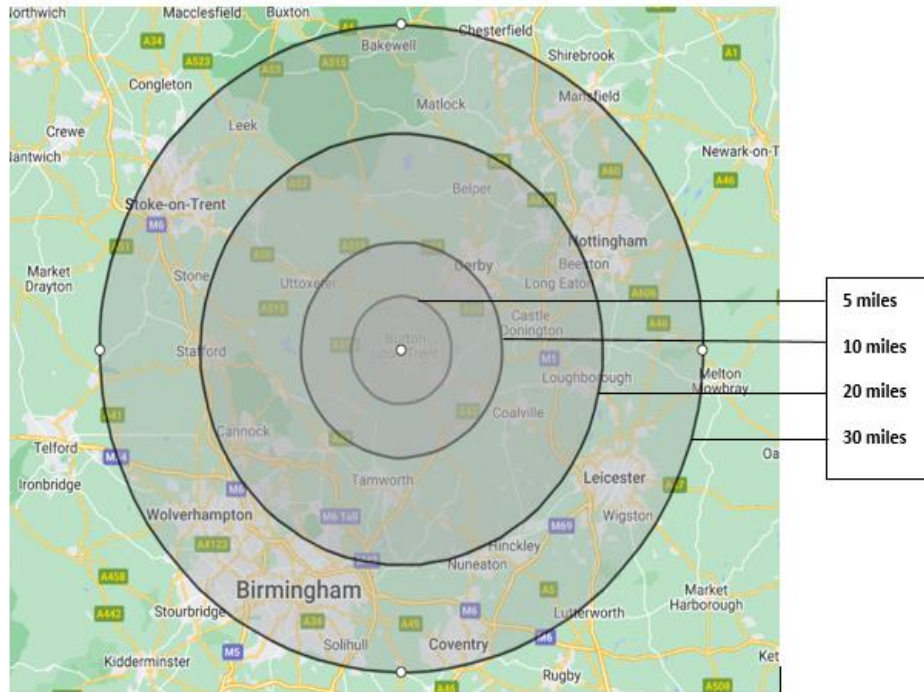


Table 5 – Distance from TH – Procurement Spend

Distance from Town Hall	Procurement Spend	% of Spend
	8,144,679	
0 - 5 miles	1,174,131.00	14
5 - 10 miles	38,066.00	0
10 - 20 miles	418,088.00	5
20 - 30 miles	2,083,965.00	26
30 miles +	4,430,435.00	54

Distance from Town Hall	Procurement Spend
	Aggregated
0 - 5 miles	1,174,131.00
0 - 10 miles	1,212,197.00
0 - 20 miles	2,804,416.00
0 - 30 miles	7,274,709.00

Table 6 – Distance from TH – Procurement Spend/Out of Contract

Distance from Town Hall	Procurement Spend - N/C	% of Spend
	3,009,662	
0 - 5 miles	536,572.00	18
5 - 10 miles	18,014.00	1
10 - 20 miles	207,852.00	7
20 - 30 miles	499,995.00	17
30 miles +	£1,747,229.00	58

Distance from Town Hall	Procurement Spend - N/C
	Aggregated
0 - 5 miles	536,572.00
0 - 10 miles	554,586.00
0 - 20 miles	1,299,010.00
0 - 30 miles	2,890,163.00

6. Procurement Improvement Action Plan

6.1. Rolling Spend Analysis

6.1.1. The spend analysis provides useful insight into the Council's spending patterns and the potential benefits to the local economy. It will be helpful to monitor spending patterns on an ongoing basis, to react to any emerging trends. The rolling programme of analysis can compare data to previous years' analysis and focus on different aspects for potential improvement within that year, and inform Star Chamber discussions on an annual basis by breaking the analysis down into Executive Member portfolios.

6.1.2. Using this analysis as a benchmark we can implement a number of actions to maximise opportunities for local businesses to work with the Council. This includes aligning Procurement Policy actions to a rolling programme of spend analysis to monitor spending patterns and the impact of improvement actions.

6.1.3. A separate analysis of the type of businesses applying for tender or quotation opportunities can also be undertaken to explore the locality or size of the organisations bidding for work. This can help inform the focus of future business engagement opportunities, and provides insight into the effectiveness of the Council's procurement advertising processes.

6.2. Procurement Policy

6.2.1. There are reforms proposed which are expected to be in place by October 2024 within the Procurement Bill, which will update the national procurement system and modernise systems and processes. The Bill will reform the UK's public procurement regime, intending to make it quicker, simpler and more transparent. As such the Council's own Procurement Policy and approach will need to be refined to align to these new provisions.

6.2.2. The spend analysis identifies that there is a proportion of spend outside of the Borough. As such the existing Procurement Policy's principles relating to maximising local opportunities in the local area can be amplified via the Procurement Improvement Plan. This can be achieved through working with the Council's Enterprise Team to engage with the local business community, for example through "supplier information" or "meet-the-buyer" days or other direct engagement opportunities relating to doing business with the Council, which should be undertaken as a minimum twice annually.

6.2.3. Additionally, at the meeting of the Full Council in July 2023, a motion was carried condemning "Fire and Rehire" tactics, where it was resolved to, as far as is legally possible, incorporate decisions around businesses that engage in these tactics, within relevant policies. As such the Council will investigate what recourse it has to reset its policies to achieve this aim, while still obtaining value for money.

6.3. Proposed Procurement Improvement Action Plan

6.3.1. The proposed Procurement Improvement Plan can be seen below:

Procurement Improvement Action Plan 2023		
Ref.	Objective	Timeframe
Rolling Programme of Spend Analysis		
PIP01	Complete 2022/23 spend analysis to benchmark spending patterns and inform initial Procurement Improvement Plan	Oct 2023
PIP02	Apply portfolio level filters to spend analysis to inform Star Chamber discussions annually	Dec 2023
PIP03	Spend analysis against 2022/23 benchmark and subsequent years relating to locality of spend	July 2024
PIP04	Spend analysis of wider value for money considerations including opportunities for contract consolidation	July 2024
PIP05	Rolling programme of spend analysis undertaken	Annually
Revised Procurement Policy		
PIP06	Update Procurement Policy to reflect changes from the Procurement Bill	October 2024
PIP07	Investigate opportunities to reset Procurement Policy to incorporate decisions around “Fire & Rehire” while still obtaining value for money	2023/24
Ongoing Engagement		
PIP08	Analysis of business engagement in tendering and quotation processes	March 2024
PIP09	Engage with the business community, for example through “supplier information” or “meet-the-buyer” days or other direct engagement opportunities relating to doing business with the Council	Twice Annually
PIP10	Continue to amplify Procurement Policy principles to all service managers and procuring officers through the Managers’ Forum and staff appraisal process	May 2024

7. Financial Considerations

*This section has been approved by the following member of the Financial Management Unit: **James Hopwood***

- 7.1. While the content of this report is analysing financial aspects of the organisation, i.e. spending patterns, there are no direct financial issues arising from the proposed recommendations within this report. The policy is intended to, and must, be used in conjunction with the Council's Financial Regulations, as set out in Part 4H of the Constitution.
- 7.2. The invoice spend data set out in this report has been extracted from the Council's creditor system. The process for categorising and analysing this data is set out in clauses 2.1 to 2.5 of this report.

8. Risk Assessment and Management

- 8.1. The main risks to this Report and the Council achieving its objectives are as follows:
- 8.2. **Positive** (Opportunities/Benefits):
 - 8.2.1. Clear understanding of spending and trends within East Staffordshire Borough Council, allowing for future analysis of spend to ensure value for money remains a top priority.
 - 8.2.2. Possibility to shape future procurement by the Council, focusing on contractual and local spend.
- 8.3. **Negative** (Threats):
 - 8.3.1. Failure to use information to shape future policy may result in the Council not receiving value for money or larger amounts of money being spent outside the local area.
 - 8.3.2. Failure to adhere to applicable procurement regulations leads to an increased risk of legal challenge.
- 8.4. The risks do not need to be entered in the Risk Register. Any financial implications to mitigate against these risks are considered above.

9. Legal Considerations

*This section has been approved by the following member of the Legal Team: **John Teasdale***

- 9.1. None arising directly from this report, however the Procurement Improvement Plan is intended to, and must, be used in conjunction with the Council's Contract Procedure Rules as set out in Part 4D of the Constitution

10. **Equalities and Health**

- 10.1. **Equality impacts:** The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.
- 10.2. **Health impacts:** The outcome of the health screening question does not require a full Health Impact Assessment to be completed. An equality and health impact assessment is not required.

11. **Data Protection Implications – Data Protection Impact Assessment (DPIA)**

- 10.1. A DPIA must be completed where there are plans to:
- use systematic and extensive profiling with significant effects;
 - process special category or criminal offence data on a large scale; or
 - systematically monitor publicly accessible places on a large scale
 - use new technologies;
 - use profiling or special category data to decide on access to services;
 - profile individuals on a large scale;
 - process biometric data;
 - process genetic data;
 - match data or combine datasets from different sources;
 - collect personal data from a source other than the individual without providing them with a privacy notice ('invisible processing');
 - track individuals' location or behaviour;
 - profile children or target marketing or online services at them; or
 - process data that might endanger the individual's physical health or safety in the event of a security breach
- 10.2 Following consideration of the above, there are no Data Protection implications arising from this report which would require a DPIA.

12. **Human Rights**

- 12.1. There are no Human Rights issues arising from this Report.

13. **Sustainability** (including climate change and change adaptation measures)

- 13.1. Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) **N/A**

14. **Recommendation(s)**

- 14.1. To agree the proposed Procurement Improvement Action Plan.

15. **Background Papers**

15.1. None

16. **Appendices**

16.1. Appendix 1: Spend Analysis 2023