



Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

AUDIT COMMITTEE
CABINET

18th December, 2008
5th January, 2009

CORPORATE CONTRACT MANAGEMENT AND PROCUREMENT IMPROVEMENT PLAN

REPORT OF THE DIRECTOR OF RESOURCES

1. PURPOSE AND SUMMARY

To enable Corporate Directors' Board, Audit Committee and Cabinet to monitor implementation of the Improvement Plan shown attached as **Appendix 1**.

2. RECOMMENDATIONS

Audit Committee and Cabinet are recommended to review implementation of the attached Improvement Plan;

3. REPORT

Attached, shown as **Appendix 1**, is the Corporate Management and Procurement Improvement Plan which was initiated by Corporate Directors' Board in June, 2007, designed to address the concerns identified during the course of the District Auditor's audit of major housing repairs and improvement contracts. Subsequently the District Auditor published a Public Interest Report further to Section 8 of the Audit Commission Act, 1998 and the attached Improvement Plan has been developed with a view to ensuring that all the District Auditor's recommendations are addressed. The Plan was approved by Cabinet in July, 2007 and finally by Council on 24th January, 2008, following a review by Audit Committee on 17th January.

Implementation of the Improvement Plan is being monitored by Audit Committee as well as Corporate Directors' Board and Cabinet.

Progress and implementation

A corporate inter-departmental group of officers has been established and is overseeing implementation. Group members are listed in the consultation section below. The attached Improvement Plan reflects the position following a review by the Corporate Contract Management & Improvement Group on the 31st October, 2008.

The improvement strategy has the following themes:

- Tightening control
- Training and accreditation
- Improving guidance and rules
- Improving management systems
- Improving the contracts register system
- Audit

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

The report is concerned with the strengthening of contract management and procurement controls. This needs to be reflected in the rules of procedure within the Council's constitution and, in particular, the Council's Finance Procedure Rules. These rules are reviewed on a regular basis, and the recommendations within the report and the improvement plan will be incorporated as part of the next such review. This will take place as soon as is practicable.

5.2 Legal Implications

These are covered in the report.

5. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	Yes		
Policy	Yes		
Sustainable and Environmental	Yes		
Crime and Disorder			
Human Rights Act			
Elderly/People on Low Income			

6. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

The District Auditor's Public Interest Report under Section 8 of the Audit Commission Act, 1998, issued in December, 2007.

7. CONSULTATIONS

Geoff Organ, Head of Corporate Procurement, Support and Income Services, Resources

Adam Archer, Special Projects Manager, Chief Executives

Colin Sharpe, Head of Finance, Children and Young People Services

Martin Judson, Head of Resources, R&C

Mukund Kumar, Assistant Audit Manager, Resources

Pradeep Gadhok, Service Manager, Contracting and Procurement Unit, Adults and Housing
Beena Adata, Team Leader / Senior Solicitor, Legal Services
Trevor Croote, DA representative
Geoff Payne, Policy Officer, Chief Executives
Corporate Directors
Chief Executive
Service Director Group

8. REPORT AUTHOR

Peter Nicholls, Service Director – Legal Services, x6302

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)

CONTRACT MANAGEMENT AND PROCUREMENT IMPROVEMENT PLAN

((Updated in consultation with the Corporate Contract Management and Improvement Group on 31st October and reviewed by CDB on 11th November, 2008)

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
TIGHTENING CONTROL				
1	Review the number of officers who are authorised to purchase on behalf of the Authority, to reduce this to a manageable number which can be easily audited. Authorised officers are to be limited to those people who must purchase to enable them to perform their job. They must be adequately trained and the scope of their authorisation needs to be clear.	Service Directors Co-ordinated by Service Director – Legal Services	1 June, 2007	<p>All Departments have created an authorised Procuring Officer List.</p> <p>The completed lists have been loaded onto Insite to enable Corporate-wide access and monitoring.</p> <p>Complete. Corporate Directors' Board/ Audit Committee have expressed concern that there are too many authorised officers. Departments have been instructed to reduce the list to what is essential. The Board will be informed of the latest position.</p>

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
				<p>The most recent listings contain:</p> <p><u>Approved Officers – CEO</u></p> <p>Minor 0 Small 0 Large 0 Over EU 6</p> <p><u>TOTAL 6</u></p> <p><u>Approved Officers – Resources</u></p> <p>Minor 20 Small 20 Large 10 Over EU 39</p> <p><u>TOTAL 89</u></p> <p><u>Approved Officers – CYPS</u></p> <p>Minor 0 Small 2 Large 4 Over EU 15</p> <p><u>TOTAL 21</u></p> <p><u>Approved Officers – R & C</u></p> <p>Minor 9 Small 48 Large 63 Over EU 12</p>

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT PROJECTION	POSITION	AND
				<u>TOTAL</u>	132	
				<u>Approved Officers – A & H</u>		
				Minor	13	
				Small	55	
				Large	31	
				Over EU	18	
				<u>TOTAL</u>	117	
				GRAND TOTAL	365	
2	Assurance must be given that the current list of authorised officers is complete and up to date.	Service Directors. Co-ordinated by Service Director – Legal Services	1 August, 2007	Complete. (Service Directors will be requested to reconfirm the assurances in December).		

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
3	The list of authorized officers must be kept up to date and monitored annually.	Corporate Directors, Co-ordinated by Geoff Organ	Ongoing	<p>Complete. Nominated Officers in each Department will ensure that the information is kept up to date.</p> <p>The term "Procuring Officers" is to be used instead of "Authorised Officer" to avoid confusion.</p> <p>There are capacity issues within Corporate Support, Procurement & Income Services and within service departments. Some departments such as Adults and Housing have a dedicated procurement team whereas R&C, to date has decided not to create one. CDB has agreed, as part of the current procurement strategy, to introduce category management of procurement, to be implemented as part of phase 2 of the Corporate Review, and has also agreed to create two more posts within the Corporate Procurement Team.</p>
4	Ensure compliance with Contract Procedure Rules in respect of notification and safekeeping of contracts handled within departments (i.e. contracts in a standard form approved by Legal Services, up to the upper threshold value for a small contract (currently £35,000).	Service Directors. Co-ordinated by Geoff Organ	1 June, 2007	<p>Complete.</p> <p>To be repeated in December.</p>

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
5	An annual assurance to be given that Procuring Officer lists are up to date and that adequate systems are in place to ensure Service Directors are complying with procedures for entering into contracts up to £35,000.	Corporate Directors. Co-ordinated by Geoff Organ.	Annually,	Complete. (to be repeated in December)
6	This assurance must also confirm that adequate insurance arrangements are in place throughout contract terms	Corporate Directors	December	Complete. (to be repeated in December)
TRAINING AND ACCREDITATION				
7	Ensure that an appropriate corporate training programme for Procuring Officers is available.	Head of Corporate Support, Procurement and Income Services	30 June, 2007	The programme is written, is available and is now being delivered. 23 additional sessions have been booked in December.
8	Make available a corporate training programme leading to accreditation that Procuring Officers authorised to procure have been trained to sufficient standards.	Director of Resources	September, 2007	The target date, December, 2008 is achievable. Training is already being provided but take up by departments is currently slow.
9	Make available an on-line corporate training programme.	Head of Corporate Support, Procurement and Income Services	December, 2007	Now that the new Toolkit is finalised, on-line training will be introduced by December, 2008. The Toolkit will require updating again following the introduction of new CPRs.
10	Comply with the requirement that all new Procuring Officers must be accredited.	Service Directors.	March 2008	This will require a new training contract which has now been awarded to a training company called Cordie.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
11	Ensure that all Procuring Officers are accredited (accredited training or equivalent)	Service Directors	December 2008	Achievable. In addition “elective training” will be provided for other officers on specific aspects of procurement to enable them to perform their role as part of the Procurement Team. (To be provided from January onwards). 23 additional sessions have been booked in December.
12	Support for elected members is also being proposed and each political group is being asked to nominate a lead member who can develop a special interest in this field.	Town Clerk in consultation with Group Whips.	January 2008	Awareness sessions will be delivered via the Member Development Programme, being worked up by the Member Development Forum. There is also consultation with groups and individual members to ensure the programme suits members’ needs and interests. This is relevant to Scrutiny Members as well as Cabinet Members. Whips have been consulted and support the idea of each group nominating lead members, names to be provided at the whips group meeting on 20th November.
IMPROVING GUIDANCE AND RULES				
13	Review and improve the Council’s Procurement Toolkit to clarify responsibilities and mandatory requirements, also to ensure the Toolkit is user friendly and easy to access e.g. by use of hyperlinks to Contract Procedure Rules etc.	Head of Corporate Support, Procurement and Income Services	September 2007	The revised Toolkit is now available, being promoted and used. To be repeated in December following approval of revised Contract Procedure Rules by Council in November.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
14	Production of consolidated guidance on procurement processes which makes responsibilities clear, also includes adequate checks and challenges at each stage. Guidance / procedures will provide for officer intervention to ensure any non-compliance is regulated and resolved.	Head of Corporate Support, Procurement and Income Services and Service Director – Legal Services.	September, 2007	<p>A new web-based toolkit has been introduced.</p> <p>Contract Procedure Rules (CPRs) are undergoing a complete, radical review, also to incorporate important changes to EU law; to be reported to Council in November.</p> <p>Rules are being simplified wherever possible to make them more accessible assuming that Procuring Officers are trained to a corporate standard; also to make the rules more user friendly from a contractor point of view e.g. to provide that small companies be invited to sign up to the Council's principles regarding policies such as equal opportunities so as to facilitate compliance.</p>
15	When Service Directors authorise Legal Services to process and enter into tendered contracts they must also attach a financial evaluation. There must be justification for any proposal to enter into a contract in excess of the evaluated limit and there must be a statement that the authorised officer has considered the impact of the contract on total exposure to the same contractor.	Service Directors	January, 2008	<p>Legal Services' Commercial Team has been instructed to ensure that a financial evaluation is attached to all instructions received.</p> <p>The revised Contract Procedure Rules will make this a mandatory requirement for contracts over the EU threshold.</p> <p>An audit is to be completed by Internal Audit in January, 2009.</p>

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
16	Systems will also be established to enable regular review of revenue contracts over a specified threshold (currently £100,000) by Cabinet and the Procurement and Value for Money Select Committee.	Director of Resources	December, 2007	<p>Complete.</p> <p>At its meeting on 21st April Cabinet monitored progress in implementing this Improvement Plan and also agreed that all contracts over the EU financial threshold be reserved to Cabinet for authorisation. The current EU thresholds are £139,893 for supplies and services and £3,497,313 for works. This provides Cabinet with sufficient control but avoids cluttering up its agenda and also provides the added benefit of enhancing corporate management, oversight and control of compliance with EU procurement requirements.</p> <p>To provide flexibility, Cabinet (23rd June) revised its Scheme of Delegation to enable individual Cabinet members to authorise contracts over the EU threshold within the approved Procurement Plan.</p> <p>So as to reduce duplication Cabinet has dispensed with the need for consultation with Cabinet Leads before entering into any revenue contract where the value is £100,000 or more.</p>

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
17	Departments must produce an annual procurement plan to be reviewed by Scrutiny and approved by Cabinet.	Corporate Directors with support from Geoff Organ who has agreed to produce initial draft plans based on the corporate information available.	April 2008 for 08/09	Head of Corporate Procurement, Support and Income Services produced a plan in consultation with all departments, approved by Cabinet on 14 th July.
18	Further review Contract Procedure Rules to meet current corporate and legal requirements, to clarify responsibilities and mandatory requirements and to ensure that the rules are easily accessed and understood by authorised purchasers.	Head of Corporate Support, Procurement and Income Services and Service Director – Legal Services	December 2007	A revised version has been produced and is currently subject to consultation. Full Council approval is required, programmed for November, 2008.
IMPROVING MANAGEMENT SYSTEMS				
19	Introduce an effective Council wide procurement system as part of a new Resource Management System (RMS).	Chief Finance Officer	April 2008	Implementation will be in April, 2009 following which there will be a phased implementation.
IMPROVING THE CONTRACTS REGISTER SYSTEM				
20	Enhance the existing contracts register system in order to: <ul style="list-style-type: none"> - Minimise scope for contracts to be omitted. - Provide a long stop control over potential overruns. 	Chief Finance Officer	August 2007	Complete.

	ACTION	RESPONSIBILITY	ORIGINAL TARGET DATE	CURRENT POSITION AND PROJECTION
AUDIT				
21	Review authorised officer database to ensure that it is up to date.	Head of Audit and Governance	October 2007	Complete. The original brief was to create a list of officers authorised to purchase on behalf of the Authority: this has been produced. The Audit report includes observations about some of the departments' returns; there is a recommendation that this list be expanded to include officers authorised to make payments. Further action is being planned.
22	Review the adequacy of contracts' insurance.	Head of Audit and Governance	June, 2008	This has been included in the Audit Plan for September 2008. Now work in progress.
23	Audit of housing related contracts to ensure compliance with the District Auditor's detailed recommendations.	Head of Audit and Governance.	June – September, 2008	This has been included in the Audit Plan. Now work in progress.
24	Audit compliance with new Toolkit and new Contract Procedure rules.	Head of Audit and Governance	April 2008	To enable new rules and toolkit to be embedded before testing this has now been included in the Audit Plan for January-February, 2009.
25	Audit of assurances provided	Head of Audit and Governance	January/ February, 2009	Internal Audit has recommended this action to verify the assurances provided.