

**Derby City Council  
Scrutiny Management  
Commission**

**Overlapping  
Areas of Control  
and  
Management:  
  
Procurement**

## Foreword

The new scrutiny function has a major role in the search for value for the public's money. Local and national press over the decades have held the view that local authorities have too many staff, many of which exist to pass paper to each other rather than delivering services to council tax payers and their families. It is against that background that councillors have to stand up in front of electors and justify the organisation, staffing and cost of 'the Council'.

Some councils – as with some companies – are inefficient. But even the best systems have scope for improvement, especially as technology moves on. So drilling down into internal processes can ultimately allow councillors to demonstrate, *hands on heart*, that their authority is efficient *whilst* offering suggestions for incremental improvements; or to conclude that a lot needs putting right.

This report considers the procurement function and Council Cabinet is offered positive recommendations.

To be separately reported to the Scrutiny Management Commission, SMC, are other issues that have arisen from our review. Firstly, how this task can be continued as part of the Council's governance arrangements. Secondly, as regards the SMC's *other* review - the Achievements and Organisation of Overview and Scrutiny in Derby – our practical experience of conducting *this* review.

Robert Troup  
Chair

Richard Smalley  
Chair to June 2004

Hilary Jones

Chris Wynn

## Background

The Scrutiny Management Commission decided, on 14 July 2003, to conduct a topic review aimed at establishing:

- Whether posts having a similar function or offering a similar service to the public, had been established by different departments
- If any such posts were identified, whether it would be practical for their cost/function to be shared between different departments.

The review began at the meeting of the whole Commission held on 6 January 2004:

### **6 January 2004 meeting – scene setting by Personnel**

Mr Cicinski emphasised that as the Council operated from so many buildings, and was structured into various departments, some duplication of posts were inevitable. For example, receptionists. There were also cases where people had the same job title but did very different jobs. And where people had similar jobs but in different departments where specialist knowledge is required.

There was a substantial question-and-answer session and member debate. Councillor Smalley commented “that whilst many members had spoken on the issue, no one had suggested that there were no duplicate posts.”

Subsequently three members were charged with scoping the review. The same three members – Cllrs Smalley, Jones and Wynn - then became an informal sub group charged with conducting the review and preparation of this report, for consideration of the Commission. With the change of Chair, following the 2004 Annual Meeting, Cllr Troup became the fourth member.

With the Council employing thousands of staff, it was determined that the most effective methodology of conducting a review would be by selecting functional areas in turn. The first was procurement, the subject of this report.

## Process and key messages from the evidence

The review was informed by:

- A survey of departments on staffing involvement in procurement of goods, followed up by a survey on adherence to corporately negotiated contracts.
- Detailed notes of the support officer(s) meetings with Richard Boneham and Adrian Manifold from Internal Audit and, later, with Jonathan Guest and Amanda Verran of Development and Cultural Services.
- Direct evidence-gathering interviews with Ed Cicinski, John Cornall, Richard Boneham and John Winters.

Education and Social Services were largely excluded from the scope of the review, because of the impending changes consequential to the Children Bill; they were however included in the survey of departments.

The approach of Members to the review is summarised, below in this letter from the support officers to chief officers:

### Extract

Dear Colleague,

#### **Re: Information Requested by the Chair of the Scrutiny Management Commission.**

The Scrutiny Management Commission has agreed to undertake a rolling *review on overlapping areas of control and management*. We are writing because the first area selected by Members for review is procurement personnel. The approach is to undertake an initial desktop exercise with the option of further enquiry if felt appropriate. Attached is a questionnaire agreed by the leading Members. The number of questions has been kept to the minimum required to produce a clear picture. The leading members have now decided to *include* the Social Services and Education Departments because their proportion of spend is so great.

The information sought was set out in questionnaire format, as shown:

## Procurement Questionnaire

Guidance. This questionnaire is about *externally* purchased goods. Please **do** include goods purchased on your behalf *through* the Corporate Procurement Officer or Commercial Services. There is **no need** to include *internal* purchases from other departments.

- 1 What goods are directly purchased by the department?
- 2 Are those goods directly used within your department and/or for the wider Council?
- 3 What staff resource is employed on the function – job titles?
- 4 What other duties do those staff perform?
- 5 How many hours eg a week/month/year are estimated to be connected with the purchasing service? [Note: In some cases there may be a seasonal element during a year, or where long term contracts are involved there may be a cycle spanning several years. If so, please explain]
- 6 When did you last review the current arrangements?
- 7 Have you considered any alternative arrangements, for example joint working with other departments?
- 8 Are you intending to review in the next financial year 2004/5?
- 9 Divisions of responsibilities: a) does the system *throughout* your department ensure an element of independent verification, regarding invoice payments and petty cash? b) When were these systems last audited?

It was the analysis of the responses that resulted in the further enquiries, via the support officers and through direct evidence gathering meetings.

## Observations on the questionnaire responses

Only Commercial Services with 2 wte purchasing assistants have dedicated resources for procurement of goods. Given the scale and range of the department that seems appropriate.

Generally there seems to be compliance with framework/call-off contracts corporately arranged by the Corporate Procurement Officer (CPO) or, for IT, with Capita. The tone of responses suggests that most support staff like the convenience of using these pre-arranged contracts. The Director of Commercial Services cited the purchase of protective equipment and clothing, first aid boxes and mobile phones where the CPO was not involved but CSD purchasing assistants were.

It appeared that a major opportunity for time reduction in procurement would be paperless systems achieved through e-government. Members were also aware that a Procurement Manual was being developed. Therefore, a briefing session was held, on 29 June 2004, with Mr John Cornall, Assistant Director - ICT and Performance Management to discuss the implications and future possibilities for the Council. Key points from that meeting follow:

#### **E-government and Procurement Manual**

Mr Cornall referred to the fundamental process for ordering, receipt of goods and the payment process; he then said that the big question was how to change systems, streamline and make use of technology to minimise transaction costs and gain price economies of scale.

With Comprehensive Performance Assessment, procurement is a growing issue and can contribute to a higher ranking.

In 2003 a procurement *strategy* was adopted. Developing a procurement *guide* was key to helping staff buy goods and services and set out rules that must be complied with. The IDeA had assisted with production of draft guidance. The need was to complete a detailed manual of processes and procedures and provide training for appropriate staff, plus producing of a smaller guide of the essentials with appropriate training for members and some other staff.

Mr Cornall said that Derby CC was moving forward in stages. Whereas Derbyshire CC were to use e-market places, Derby was not committing to that, as it was important to get the basics right first. He envisaged a stage where no employee would have a paper order book.

There was discussion whether the proposed changes – e-procurement and the new manual - meant fragmentation across departments/sections *or* a form of centralisation. Instead it was considered that a change from manual to electronic systems actually meant a completely new environment.

The Chair observed that improvements that achieve savings in staff time were as important as securing marginal price savings.

Mr Cornall believed the key issue was the achievement of standard processes. The detailed procurement guide was in first draft and he outlined the timetable for finalising and issuing it – however there was an issue about having sufficient resources to deliver implementation and training.

Since that meeting Derby has been evaluated as an Excellent Council. Also, the draft procurement guide is out for comment and consultation, at

<http://172.16.1.41/doclibrary/download.asp?RefNum=620>

On October 6 the sub group held a further meeting. Members interviewed Richard Boneham and discussed with him the approach of Internal Audit and the degree of flexibility allowed to departments over procurement practices. That had been prompted by the practices within Development and Cultural Services, adopted with the agreement of internal audit. The second interview was with John Winters about the specific practices applying within the Commercial Services Department.

#### **6 October sub-group meeting – paraphrased viewpoints of Internal Audit**

“Not all departments use, for example, Corporate Express, as people say they can get cheaper deals elsewhere. We need to be advising people on whether they are getting value for money. If some departments are getting deals, I think we should be sharing the knowledge with other departments”.

“If a model works in one department it may do in another - but not necessarily. If the Development & Cultural Services Department have a particular method, it’s worth seeing if the same system will work elsewhere, maybe with a bit of tweaking”.

### **Conclusions and Recommendations**

This review has produced messages at two levels, grouped accordingly below. Firstly, as one would expect, in relation to the direct purpose of the review: whether there is overlapping human effort in procurement. Secondly, in connection with the Council’s procurement *procedures*.

- **Overlapping Areas of Control and Management in the Procurement function**

Conclusion 1: The total number of staff who have a role in the review related activities, hereinafter RRA, of procurement, purchasing and ordering is indeterminate and varying over time in every department.

Conclusion 2: The total number engaged with RRA is less important than that the system is efficient and auditable in terms of business delivery: neither a high or low staff number is inherently virtuous *but* there should be a periodic health check.

Conclusion 3: What matters most is for each department to have a system that works: that suggests variety of practice within a framework of coherence.

Conclusion 4: The adoption of unitary status in 1997 was not used as an opportunity to ensure coherence.

Conclusion 5: The model in D&CS, involving large numbers of staff but for minimal time, adopted with the agreement of internal audit, is seen as efficient and should be considered for adoption or adaption for other departments.

Recommendation 1: i) Council Cabinet be strongly advised that the internal audit programme of reviews for 2005/06 should include a review of RRA across Council departments (conclusion 2 refers) ii) as part of that review, the model adopted in D&CS should be *considered* in respect of possible adoption by each department, honed according to departmental/divisional circumstances and needs (conclusion 5 refers).

Recommendation 2: Following the initial review in recommendation 1, the maximum gap between periodic reviews should thereafter be 5 years, so as to accord with the original Best Value principle (conclusion 5 refers).

- **The Council's procurement procedures**

Conclusion 6: Generally there seems to be compliance with framework/call-off contracts corporately arranged by the Corporate Procurement Officer (CPO) *where known* or, for IT, with Capita. The tone of responses suggests that most support staff like the convenience of using these pre-arranged contracts. Internal Audit were also aware of some departments making separate arrangements.

Conclusion 7: There appeared to be some lack of awareness of the range of corporately negotiated call off contracts for goods. Sometimes where a contracted supplier was used this seemed to be more by accident or co-incidence rather than knowledge of the corporate contract.

Conclusion 8: There are some occasions where fitness-for-purpose means the product from the call-off contract is not appropriate, usually because it is a niche service or a rare purchase or special circumstances surround the delivery of the service.

Conclusion 9: Departments are not breaking current rules by sourcing separately if that represents better value-for-money.

Recommendation 3: The new procurement manual must have a crucial role in promoting adherence to corporately negotiated contracts. In parallel there needs to be more internal promotion of those contracts, with the advice of the Corporate Communications Unit (conclusion 7 refers). However, departments should be encouraged to source separately where that represents demonstrably better value-for-money (conclusion 9 refers).

Recommendation 4: Where a department do source separately because the cost is cheaper or quality higher than under the corporate call-off contract, that needs to be fed back to the corporate procurement officer, rather than hidden - the Council's procurement function needs to be live, active and responsive to alternative sources of supply at lower cost and higher or similar



quality when discovered by departments. This might be done through a quarterly report to the Corporate Procurement Officer (conclusion 9 refers).

#### **Appendix – list of evidence documents**

<b>Date</b>	<b>Meetings and Materials</b>	<b>Pages</b>
6 January 2004	Interview With Mr Ed Cicinski, Corporate Personnel Advisor – Reviews at the Scrutiny Management Commission	1 - 6
12 May 2004	Note of a meeting between Richard Boneham & Adrian Manifold and Rob Davison & Ed Cicinski	7
29 June 2004	Interview Between John Cornall, Assistant Director – Information and Communication Technology and Performance Management, and the Scrutiny Management Commission Core Group of Members	8 - 10
16 August 2004	Note of a meeting between Jonathan Guest & Amanda Verran and Rob Davison	11 - 13
6 October 2004	Interviews Between Richard Boneham, Head of Audit, and John Winters, Director of Commercial and the Scrutiny Management Commission Core Group of Members	14 - 21
5 April 2004	Procurement Questionnaire and Covering Letter	21 - 22
	Table of departmental responses to questionnaire	23 - 42
	Summary of responses to Question 9	43
21 Sept 2004	Supplementary Information Request	44 - 45
	Supplementary Responses	46 - 58

A copy of the appendix will be placed in each of the political group rooms. The whole or any part of the appendix is also freely available by e-mailing [rob.Davison@derby.gov.uk](mailto:rob.Davison@derby.gov.uk) or by phoning him on 01332 255596