

Item No: 6.	Classification: Open	Date: 18 July 2018	Meeting Name: Audit, Governance and Standards Committee
Report title:		Governance topic: The council's procurement policy - compliance and implementation	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the Council's Fairer Future Procurement Strategy attached as Appendix A
2. That the audit, governance and standards committee note the recent internal audit of procurement attached as Appendix B, and PowerPoint guidance to relevant staff attached as Appendix C
3. That the audit, governance and standards committee note the Council's Contract Standing Orders in relation to contract monitoring (paragraphs 14 and 15)
4. That the audit, governance and standards committee note the list of contracts that are over the EU threshold and should have six monthly and annual performance reports attached as Appendix D
5. That the audit, governance and standards committee consider how it would wish to progress its review of governance in respect of contract management.

KEY ISSUES FOR CONSIDERATION

Fairer Future Procurement Strategy

6. The council has significant procurement spend. In June 2016 the cabinet agreed the council's Fairer Future Procurement Strategy. This is attached as appendix A.
7. This strategy sets out how the council will use procurement to promote enhanced employment rights, to ensure fair pay and terms and conditions, to reduce inequality and to encourage ethical corporate behaviour. It continued the commitment for all contractors to pay the London Living Wage and introduced a new requirement asking that they sign up to the Southwark Diversity Standard, that covers key issues such as offering guaranteed hours contracts. It makes clear that companies that engage in illegal blacklisting of union members and activists can expect to have their contracts terminated.
8. The strategy also ensures that key strategic contracts have early and timely political input when assessing options and before a decision is taken about the external procurement of the services. Gateway zero decisions will include challenging whether services should be procured externally at all or if we could achieve better outcomes with an in-house service as we have done with our in-sourcing of customer services and the revenue and benefit service.

9. The contracts also present an opportunity for added social value, when our contractors are able to provide additional benefits, at little or no additional cost. Whilst we are flexible and open to bidder's proposals of what added value they can offer, we are of course particularly seeking social value offers that help us to achieve our fairer future promises and commitments such as local employment and apprenticeship opportunities.

Internal Audit of Procurement

10. In 2017-18 the internal audit service reviewed the council's procurement practice and considered the extent to which the council was complying with its own rules. This was reported to audit, governance and standards committee in November 2017, and appendix B shows the executive summary.
11. The audit concluded that the design of the controls was 'substantial' meaning there is a sound system of internal control designed to achieve system objectives.
12. However the audit also concluded that the council's compliance with these controls was 'limited' meaning that the non-compliance with key procedures and controls places the system objective at risk.
13. The Corporate Governance Panel, Lead Contract Officers and all Directors were notified of the findings of the audit, through a PowerPoint presentation circulated in April 2018, and Directors were further reminded as part of the Corporate Contract Review Board annual report circulated in May 2018. The PowerPoint is attached as Appendix C.

Contract Standing Orders

14. The Council's Contract Standing Orders (CSO) provide the framework within which procurement should be considered. They also establish how contracts should be monitored – giving minimum standards which must be followed by the Lead Contract Officer (LCO).
15. The specific CSO regarding monitoring contracts to ensure they are achieving the relevant KPI and social value objectives is CSO 9: Contract Management and monitoring which is reproduced below:

9. Contract management and monitoring

9.1 The LCO must ensure that systems are in place to manage and monitor contracts in respect of at least:

- a) compliance with specification and contract
- b) contractor performance and KPIs
- c) budget and cost
- d) user satisfaction
- e) risk management
- f) delivery of social value commitments, including London Living Wage.

9.2 Where the Estimated Contract Value exceeds the relevant EU threshold, the LCO should prepare a six-monthly monitoring report to the relevant DCRB.

9.3 Where the contract relates to a Strategic Procurement or was awarded

by an individual decision maker, the LCO should prepare an annual monitoring report to the CCRB, within six months of the contract anniversary.

Contracts requiring a six monthly or annual report

16. Based on the council's contract register as at June 2018, there are 69 contracts which would require a six monthly monitoring report, per the contract standing orders. A list of these contracts is attached at Appendix D.

Community impact statement

17. The council's procurement spend is designed to acquire goods, works or services, to fulfil the council's serviced objectives. In itself, this report is not considered to have a direct impact on local people and communities.

Resource implications

18. The costs incurred as part of contractual spend should be contained within council general fund, housing revenue account or capital budgets.

Consultation

19. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact

APPENDICES

No.	Title
Appendix A	Fairer Future Procurement Strategy
Appendix B	Executive Summary of Internal Audit of Procurement
Appendix C	Procurement Practice power point presentation
Appendix D	List of contracts requiring six mostly monitoring report

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance	
Report Author	Jennifer Seeley, Director of Finance	
Version	Final	
Version Date	20 June 2018	
Key Decision	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Final Report Sent to Constitutional Team		20 June 2018