

REPORT TO PROCEDURES COMMITTEE – JANUARY 19TH, 2018

THE GOVERNANCE OF THE PROCUREMENT APPROVAL PROCESS

1. Recommendations

The Committee is recommended to:

- 1.1 Note the ongoing work being undertaken to improve the operational process.
- 1.2 Consider and comment on the report.
- 1.3 Consider whether cross-directorate procurements are presented only to the policy Committee responsible for the largest spend with a bulletin being sent to the other policy committees with budgetary responsibility.

2. Background / Discussion

- 2.1 One of the recommendations arising from the Future Governance project was that elected members should have a proactive input to the procurement process and that a new front-loading approach to expenditure on procurement was to be developed. This new requirement was embedded in the Financial Regulations and Part 2 of the Scheme of Governance. The spending limit of officers was increased to £1m through delegated powers if stringent governance requirements set out in the Financial Regulations are followed.
- 2.2 The front-loading approach is supported by a three-stage process. The first stage is the Work Plan. Each Directorate is required to submit to the relevant committee for approval, its planned expenditure on new procurements for the financial year. Procurements in this context is expenditure on works, goods and services from external suppliers/contractors.
- 2.3 The Work Plans contain expenditure of £50,000 and over as officers have delegated powers to spend up to £50,000. The Work Plans are designed to give elected members the details of the proposed contract/project and be clear on the value that is being approved by that committee, the term of the contract and any extension period.
- 2.4 The second stage is the approval of the Business Case. All Business Cases are produced in an approved format ensuring the same level of professional approach regardless of the value of the contract. Information provided will be in proportion to the value and risk associated with the procurement and will include budget availability, need for the provision, options considered, role of stakeholders, benefits and risks and planned expenditure schedule. Elected members should also expect to see the link to the agreed Council Priorities.
- 2.5 Business Cases for proposed expenditure of over £1m can only be approved by a committee. Business Cases for £50,000 up to £1m can be approved by Chief Officers, providing a committee has not decided to reserve the approval of the Business Case when approving the item on the Work Plan.

- 2.6 No contract or project should go out to tender the first two steps have approval.
- 2.7 The third stage is the award of the contract. Chief Officers award all contracts up to £1m. Committees may choose to reserve the award of the contract if over £1m. Otherwise, Chief Officers will award the contract.

How has the new Procurement Approval Process worked in practice?

- 2.8 All Directorates reported the Work Plans to the relevant Committees in the early part of 2017. Committees have also received Supplementary Work Plans throughout the year. The compulsory Procurement training was delivered to elected members prior to the implementation of the Scheme of Governance. However, it is very apparent that improvements to the Work Plans are required as elected members do not feel that enough information is being provided to them to enable approval of expenditure. Services have also had issues with the new process and have provided feedback and have requested that the process is reviewed and improved.
- 2.9 An Officer group called the Governance Officer Transition & Implementation Taskforce (GOTIT) Group was established with the remit to provide strategic direction for successful implementation of the Scheme of Governance. The Group consider future amendments in light of operational findings and inform processes and procedures for implementation of member promoted issues, scrutiny and finance and procurement. GOTIT aim to achieve this through monitoring progress in terms of the implementation process, holding to account those with outstanding actions, agreeing cross services issues, making recommendations to the Strategic Leadership Team (SLT), making recommendations to Procedures Committee as approved by SLT and receiving and considering information on the performance of the Scheme of Governance. including arrangements for member promoted issues, scrutiny and finance and procurement. Officers have been working on operational improvements. The Work Plan template has been improved and elected member guidance that will accompany every report with a work plan. This guidance very clearly indicates what information is required to be presented in a Work Plan. The new Work Plan template and guidance can be found at Appendix 1 to this report.
- 2.10 GOTIT have met regularly to consider the implementation of the Scheme of Governance. It is reasonable to state that the majority of the issues and problems raised are about the procurement approval process. Therefore, extensive work has been carried out by officers and new guidance and template documents have been prepared and published. Governance Service Champions have been updated and focussed training for officers has been offered. This will be provided when requested and tailored to the Service. Legal and Governance officers will deliver the training. Internal Audit reports have also been received that specify actions in relation to the procurement approval process. All this information has helped form the proposals to improve the process on an interim basis and has provided a basis for the improvements that will be recommended in the Review of the Scheme of Governance.

- 2.11 The following operational improvement to the process are being implemented:-

Projects and Work Plans

- 2.12 There have been a series of issues that have been raised by Governance Services Champions and officers in a variety of services. These issues include burdensome paperwork requirements for large projects that require multiple contracts to be procured to fulfil the project requirement. The current guidance and interpretation of the Financial Regulations means that every contract of 50K or over, or contract (even if below 50k) that is in a series of contracts with a contract value of 50k or over, must be on a Work Plan and each contract must have an approved Business Case. There are particular difficulties with cross area bulk purchasing or where there is a grouping of procurements. There are also issues with reactive Hard FM Contract purchasing.
- 2.13 Going forward, where a project is made up of multiple contracts this will be entered on the Work Plan on one line. This is instead of the current required practice of each individual contract going on a Work Plan that make up a project. There would be one Business Case for the whole project, rather than a Business Case for each individual contract.
- 2.14 When adding a project to the Work Plan, the information supplied must be detailed enough to give elected members sufficient information at the beginning of the process to make an informed decision about whether to spend that money or not. This is the front-loading procedure designed to inform members. If the project is over £1m then the Business Case will have to be approved by the committee.
- 2.15 If officers choose to send the Business Case with the Work Plan, then the Work Plan does not have to be so detailed and can refer to the Business Case. It would be expected that the Business Case for a project will be substantial whether going to committee or to a chief officer for approval. In any event, the Business Case must be approved before any contract in the project can be tendered.
- 2.16 Elected members will have more information about how the project costs are made up and can input on the Business Case and indicate priorities. The Business Case would also be able to link the project with the council's priorities/service plans.
- 2.17 The result would be that the Service will complete one Business Case for a whole project allowing more resource to be focussed on delivery of the project. There is increased transparency for the project spend and overall monitoring.
- 2.18 The Financial Regulations would still apply in that all individual contracts still need contract reference numbers and must be on the Contracts Register.
- 2.19 This operational amendment to Work Plans, as agreed by GOTIT and SLT, will be implemented before the Work Plans for 2018/19 are reported to Committees.

- 2.21 Another issue that has been considered is that of **Cross Directorate Spend**.
- 2.22 Currently, where there is cross directorate spend on one contract where more than one service budget being spent, the relevant policy committees must authorise the spend from their aligned budgets.
- 2.23 Before a Business Case can be approved and the contract can go to tender, all the relevant policy committees must approve the spend from their aligned budget, via the Directorate Work Plans.
- 2.24 There are some operational issues arising as a result:-
- It can take many months to get all the required approvals, as there could be four policy committee cycles to factor in therefore there are delays are being caused to council business.
 - Confusion occurs where a lead committee is approving the Business Case and does so before all spend is approved.
 - There would be complications if not all committees approved the spend and may affect Best Value.
 - It is inefficient and costly in officer time and committee time.
- 2.25 GOTIT and SLT have considered how to solve these issues and recommend that this Committee agrees that cross-directorate procurements are presented only to the policy Committee responsible for the largest spend with a bulletin being sent to the other policy committees with budgetary responsibility. Alternatively the detail can be presented in the financial monitoring reports.
- 2.26 This would require a change to the Scheme of Governance. The procurement guidance in Part 4B would require to be amended. Part 2A, List of Committee Powers requires the addition of delegated powers to the policy committees so each policy committee can approve the whole contract value.
- 2.27 The benefits of this amendment is that it gives clarity on the procurement approval process and it is a more efficient and effective use of committee and officer time.

Next Steps

- 2.28 After consultation with Area Chairs and Group Leaders, further training on the Procurement Approval Process has been arranged in January 2018. Multiple sessions are available in a variety of locations to ensure that as many elected members as possible can attend the training. This training has been designed for smaller groups, will be interactive and will provide an opportunity for discussion and questions. The learning outcome is that elected members will have a clear understanding of the Work Plans that will be reported to committees from February 2018 and clarity on how the three-stage approval process works.
- 2.29 Projects will appear on the Work Plans on one line rather than split into individual contracts.
- 2.30 The Review of the Scheme of Governance is ongoing. There is a set timetable with the first report to Full Council in June 2018. If the Committee is minded to agree the recommendation in relation to cross directorate spend then this will be incorporated into the amendments to the Scheme of Governance. A future report will be brought to this Committee detailing all of the proposed

amendments to the Scheme of Governance including the specific amendments to improve the Procurement Approval Process. There is also a review of the Financial Regulations being initiated with service accountants identifying issues services are experiencing to look for improvement.

- 2.31 The operational documents and procedures that support the procurement approval process are subject to ongoing review by the GOTIT group. Improvement work is continuously being carried out.
- 2.31 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3. Scheme of Governance

- 3.1 The Committee is able to consider this item as Full Council appointed the Procedures Committee on May 18th, 2017. The established remit of the Committee is to consider proposed changes to Aberdeenshire Council's Scheme of Governance and to make recommendations about required amendments.

4. Implications and Risk

- 4.1 An equality impact assessment is not required because the recommendation in this report do not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing implications and the benefit of the improvements to the Procurement Approval Process would be a more efficient use of officer, committee and resources so providing a positive financial implication.
- 4.3 The following Risks have been identified as relevant to this matter on a Strategic Level BSSR003 Future Governance. The Council needs to be assured that it has the best fit of decision making so as to make it an agile and efficient body and a governance structure that reflects and serves well the communities whose priorities it is here to deliver. The link is here to the [Directorate Risk Registers](#).

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January 11th 2018

Committee to Report to (Multiple Items)

Row Labels

Grand Total

Guidance Note on Work Plan Content for Committees

Column A – B.Organised Contract Reference Number

This unique number is requested from Commercial and Procurement Shared Services and will stay with the contract throughout its existence. All contracts go on the Council's Contract Register.

Column B – Service

Confirms the Head of Service responsible for the project/contract.

Column C – Project/Contract Name

Should be clear and concise. This will be included in the Contract Register.

Column D – Project/Contract Description

This is key and where Members will get the information they need to make an informed decision. Any entries which relate to aggregated or cross service contracts must identify the lead officer/committee, any breakdown of costs and approvals.

Column E - Estimated Contract/Contract Extension start date

This is the estimated start date for contracts in the forthcoming or current financial year but may include contract start dates in the next or following financial year, which can be approved, subject to budget allocation. If the entry relates to an extension to a contract –the start date for the extension period not the start date of the original contract will be in this column.

Column F – Estimated Contract/Contract Extension end date

This must be the end date of the actual contract excluding any extension period or the end of the Contract Extension.

Column G – Maximum extension period (months)

Included here is any provision for extension of the contract. The total value in Column I must include the estimated costs for any extension.

Column H – Value to be approved by this Committee

This is the value that committee are approving. If more than one policy committee are required to approve expenditure then this will be made clear in Column D. This will also be the value if there is a contract extension.

Column I - Estimated Total Project/Contract Value (includes all options and extensions)

This is the total value of the project/contract over the whole term. This may be the same as Column H if it is new contract for one service only.

Column J – Area(s) Contract Covers.

This is one or more of the six Council Areas where the contract will be delivered.

