



Doncaster Council

Report

Date: 28th October 2021

**To the Chair and Members of the
AUDIT COMMITTEE**

PROGRESS REPORT ON NORTH BRIDGE STORES TRANSFORMATION PROJECT

EXECUTIVE SUMMARY

1. This report provides members a quarterly progress update on North Bridge Stores operational activities instigated following the Stores Management Review in response to the internal audit carried out in 2019 and their involvement in the Personal Protective Equipment (PPE) stocktaking in 2020.
2. This is the second update on the activities that have commenced. The original assessment of the Stores function has identified work that is required in many cross-functional operational links which lead into and work to compliment the Stores function and this work is currently in progress. The work undertaken is Director led and the successful delivery of the project has senior management support and commitment.

EXEMPT REPORT

3. There are no exemptions in this report.

RECOMMENDATIONS

4. Audit Committee are asked to note the updates to the report and support the outlined approach.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. An efficient and effective Stores function will allow the Council to be able to support services to the people of Doncaster through our customer facing stores function in a timely way and at the best quality and price.

Full adherence to audit standards will provide financial protection and a stable and accurate stock management process.

BACKGROUND

6. There has been historic and cultural non-compliance to agreed operating procedures for several years, despite previous internal audits and agreed management actions that have not either been implemented or maintained when put in place.

The general operating processes of the Stores changed in early 2020 due to the pandemic and focus was necessarily aligned to the processing of Personal Protective Equipment that was required across the Borough. As a result of this and also due to other mitigating factors (such as the floods) there has been impact upon the day to day processes.

The service offered by Stores was identified as falling short of the necessary standards. This shortfall encompasses operating processes, product/supplier pricing and management, stock control, stock management/storage and invoice processing.

The lack of thorough stock control and systems management is compounded by the suitability of the physical buildings used for Stores – many of which are in a poor state of repair and also the work streams currently been carried out by the Stores team – some of which do not fall within the scope of the operating procedures and is due, in part to historical decisions.

The Stores function, based at North Bridge is a long-established operation. In late 2017 a new ordering and stock control system was introduced which was not successfully embedded into the daily operating processes with current day to day custom and practice is not fully aligned to the requirements of the new system.

To address the issues identified by Internal Audit a Stores Management Review was proposed to ensure longer lasting/sustainable improvements for the Stores function moving forward. This management review was implemented in May 2021.

The review has identified the key issues that are driving the shortfalls and a plan is now executed to correct the issues and operate Stores by the correct operating processes by the end of December 2021, with a further review period to assess wider service area impacts to take place until the end of March 2022. The review is also looking at the interactions of other service areas and processes that are involved with the entire Stores process, either as a customer or a stakeholder.

7. PROCESS GOVERNANCE

Given the previous history with lack of improvement a more focussed approach has been established to drive the delivery and provide assurance of the improvement project. Delivery of the North Bridge Stores review is overseen by a Transformation Board (as shown below) which monitors progress monthly against the activities identified from the Internal Audit review and subsequent Stakeholder Management monthly meetings. The Transformation Board is accountable to the Director of Economy & Environment for management reporting and service improvement and Audit Committee as part of the 2021/22 Audit Committee Work Programme.

Transformation Board meets monthly and representatives include:

- Assistant Director – Economy and Development
- Head of Service – Property
- Head of Service – Internal Audit
- Strategy and Performance Improvement Manager
- HR & OD Officer
- Other Heads of Service from SMM's by exception

Stakeholder Management meetings operate to both identify and address improvement activities, whether they fall within the Stores service or with the Stakeholder and to embed good practice and service improvement between the stakeholder and the Stores service.

The monthly Stakeholder Management meetings involve key stakeholders from:

- Procurement
- Transactional Processing
- Highways
- Metro Clean
- Professional Buildings Maintenance
- Streetscene
- HR

8. ACTIVITY

Since May 2021 considerable activity has been carried out to look into the feedback given by the internal auditors.

The Stores Transformation Project has identified key stakeholders within all of the work areas that impact, support or use the Stores function so that these issues can be fully investigated to allow a comprehensive understanding of the reasons why and the actions required to fix on a permanent basis.

This work includes stakeholders from across many functions in the Council. Stakeholders for Stores are customers from within the service areas that purchase goods via Stores and also staff that work within the associated areas such as Procurement, Transactional Processing and Finance who will manage the supplier contracts and the prices charged by the external suppliers from whom Stores purchase the items on behalf of the Council.

Information gathered and feedback collated has enabled the launch of an initial six-month plan which will run from July 2021 until December 2021 to bring operational concerns up to an acceptable standard. On-going works will then be undertaken to improve processes further once this initial establishing of basic processes and procedures has been implemented.

Full Standard Operating Procedures were issued when the new process was launched at the end of 2017 and these are currently being reviewed again and will be agreed by management ahead of re-implementation during October 2021, allowing improved management control of variances to the expected standards. This process is on schedule and individual operating procedures are being re-written utilizing involvement from several stakeholders.

A suite of Key Performance Indicators (KPI's) will be developed as part of this programme to provide both a baseline and a best practice operating standard for ongoing review and embedding as business as usual. These KPI's will be reported monthly once all operating procedures are identified and confirmed. The KPI's will be in place at the beginning of 2022.

There are many strands being worked on concurrently and these will pull together the overall success of the Stores operation and this is supported by a detailed project plan that includes tasks and responsibilities across all stakeholder groups.

The initial six month summary highlights the following key activities:

- Thorough clean, tidy and organisation of the physical Stores buildings to make best use of available space
- Labelling and identification of all stocks and locations
- Storage of all similar/related products in close proximity to ensure all stocks are available and are utilized
- Review of all supplier contracts and pricing/invoice agreements to ensure that we pay the agreed price and that invoice mis-matches are reduced to only the disputed lines and instances of supplier payments being delayed will be reduced
- Review of the product/supplier catalogue and products stocked to ensure all regular purchases are held within Stores to prevent teams purchasing directly themselves and paying a potentially higher price
- Review and agreement of operating procedures with training provided to bring all staff up to the required standards so that effective monitoring and management of the adherence to these procedures can be carried out
- Communication to the wider customer base to advise them on how the Stores function should and will operate - this will include emailing of processes and procedures being sent to all users to explain how the ordering process works
- Review of the processes used to manage non-stock items, including the implementation of a specific storage area and communication made to teams that purchase non-stock items to ensure the process is understood
- Full stocktake to be carried out at the end of September with detailed investigation of all variances before commencing a full adherence to all processes operation from the start of October.
- Monitoring and follow-up activity for all issues that arise after the stocktake to embed a culture of adherence. (Between October and the end of December feedback will be provided to managers for any teams or individuals who do not operate to the new procedures)

9. PROGRESS UPDATE

- The Stores Supervisor left the Council on October 1st 2021. The notice period for the post necessitated an adjustment of operational tasks due as part of the improvement programme and some tasks due for August and September were moved to October and November 2021.
- The key milestone of the initial period (July-Sept) was to complete a full stock count over the weekend of October 1st-October 4th. This stocktake was moved forward in the planned works to September 18th, to ensure that we had completed the stocktake before the Stores Supervisor departed. The stocktake was completed in September.
- The full stocktake was carried out after discussions with the Stores team to identify reasons for the issues that were reported at the last count. The team were made fully aware of the importance of ensuring that counts were completed accurately and any variances were thoroughly

investigated. To support this on-going work detailed variance reports will be checked and individual item variances will be further analysed to help resolve any potential long term stock issues.

- All necessary reports were submitted to audit which identifies the counts that were completed as part of the stock take process.
- The full variance analysis will be the first time that Stores will have this level of stock take investigation since the implementation of the new system in 2017 and represents a significant move forward for the team.
- Stocktake variances have revealed many negative and positive levels. This indicates that some stock reported at the last stock take in March 2021 was amended incorrectly and was not investigated properly at the time. Due to the on-going issues at the time, staff from other departments carried out the counts and some stocks were not counted correctly.
- The temporary Supervisor (who will be in place until the year end) has been thoroughly involved in the works that are required and is involved with re-aligning the actions required in this second phase of the works (October-December)
- Some layout alterations have been completed and all products stored have been labelled. The stocktake process and documentation has helped identify old and obsolete stocks which will now be removed to allow a more efficient storage of products.
- The thorough clean up and re-lay of Stores is currently on-going and will be completed by the new temporary Stores Supervisor who will be in place for the final quarter of the year.
- All similar type products have now been re-positioned into similar areas.
- The creation of a specific 'Goods In' and 'Goods Out' area has been identified and will be implemented in this phase.
- Work on Contract Management is on schedule in conjunction with Strategic Procurement with Managers identified for each supplier. Further work to define the roles and responsibilities of the Contract Managers is continuing.
- Monthly Stakeholder meetings have identified many areas of work that interact with the Stores function and through open and regular communication, we have been able to make significant operational improvements in these areas.
- Product pricing has now been added onto the system and pack size issues have been identified and forwarded to Finance for amendment. This work has now been done, and on-going pack size issues will be reported as they are discovered.
- All Operating Processes are being reviewed by managers and these reviews are taking place with key stakeholders in attendance to ensure acceptance in advance of forming the framework for Stakeholder Service Level Agreements. Progress has been good to date and the different needs of stakeholders is being included within the revised processes.
- Once the operating procedures are agreed, then they will be communicated out to all Stores users and training will be made available for any person that requires it. This communication will be made before the end of the year, to ensure the processes are embedded for the start of 2022.

Overall, the first three months of the initial six month phase have been impacted by the resignation of the Stores Supervisor. We have re-allocated works to a new temporary Supervisor and have completed a full and comprehensive stock take to ensure the best possible fresh start for the new role. At the date of reporting, activities planned for implementation by the end of the three month review period have progressed well.

Many of the physical layout and organisational tasks that were planned to be completed have been moved in the schedule to a time after the new temporary Supervisor is in position. Full recruitment for a permanent Stores Supervisor is on-going.

The priority of the works between July-Oct was to ensure we had a defining stock check completed – which we have achieved.

10. RISKS & ASSUMPTIONS

Risks associated with ‘do nothing’ or ‘unsuccessful project’ scenario:

Risk/issue	Outcome	Likelihood
Contracts with suppliers out of date	No agreements in place for stock Accounts could be placed ‘on hold’ and the supply chain could be compromised Reputation of the Council could be damaged	High
Pricing charged by suppliers is not checked	Council pays a higher price for stock than expected	High
Stocks held are not matched to customer needs	Stocks held become obsolete. Internal customers purchase stock from outside Stores	High
Physical storage areas not organised and clean	Stock is damaged, not counted, misplaced or stolen	Medium
Staff not fully trained on IT systems	Council does not benefit from processes and reporting functions that are available to make Stores more efficient	High
Operating Procedures not used	Impacts on all of the above and prevents accountability	High
Regular communications between Stores and internal customers	Lack of communications means that minor issues become significant problems	Medium

If the Stores function does not function effectively, residents of the borough would be impacted because many of our internal services (such as Highways, Streetscene, etc.) use materials purchased and supplied to them by Stores. If they are unable to obtain such material in a timely manner, then this will impact on the borough. This was highlighted during a recent Covid alert which resulted in Stores being closed for a day.

Failure to manage contractors and pricing of materials being bought into Stores will risk additional costs to the Council.

11. LEGAL IMPLICATIONS [Officer Initials - SRF Date 14.07.21]

There are no specific legal implications arising from this report. Legal advice can be provided in relation to any matters raised by the Committee.

12. FINANCIAL IMPLICATIONS [Officer Initials JC Date 16/07/21]

The financial implications of this report are not quantifiable, failure to implement the audit actions could result in:

- Customers being under/over charged resulting in fluctuations within the stores budget.
- Council not receiving the correct price/best value from suppliers.
- Stock being written off due to obsolescence or damage.
- The financial impact of the full stock take should be reviewed at the end of October to identify any impact on the service budget for 21/22.

The report also questions the suitability of the stores building and identifies the building is in need of repair. The nature, value and urgency of the works should be considered and if additional resources are required these should be requested through either the revenue or capital budget setting process. If there is an intention to undertake capital works the scheme should be outlined and included on the Council's pipeline of capital schemes for consideration.

13. HUMAN RESOURCES IMPLICATIONS [Officer Initials AA Date 16/07/2021]

There are no direct HR Implications in relation to this report, but continuation of consultation with HR via the board transformation meetings will still be required. If in future staff are affected or additional specialist resources are required, then further consultation will need to take place with HR.

14. TECHNOLOGY IMPLICATIONS [Officer Initials - PW Date 14/07/21]

There are no specific technology implications in relation to this progress report

15. HEALTH IMPLICATIONS [OFFICER INITIALS – RS DATE 15/07/2021]

The safe and effective operating of Stores is important to protecting the health and wellbeing of the workforce. The pandemic and the need for an effective process to manage Personal Protective Equipment (PPE) is a case in point. The activities identified in this report should improve the performance of the service area. Committee members will want to ensure that these activities do not widen or cause any inequalities.

16. EQUALITY IMPLICATIONS [Officer Initials - IK Date 14/07/21]

In line with the corporate approach for compliance against the Equality Act 2011 due regard must be shown across all activity within the Council. After considering the equality implication for the Stores Transformation Project none have been identified so a full due regard assessment was not required.

17. CONSULTATION

The project has consulted a broad group of stakeholders to ensure that feedback is as wide ranging as possible. The Board was implemented in May 2021 to oversee the decisions. The Board includes Assistant Director and Head of Service level individuals and this meets monthly. To support this, there are fortnightly or monthly stakeholder meetings that include representatives from Procurement, Transactional Processing, Finance and also key service areas including Streetscene, PBM, Highways and Metro Clean in addition to the Stores Supervisor.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations are used above:

- SMMM's – Stakeholder Management Meetings
- SOP – Standard operating procedures
- IT – Electronic support systems
- PPE – Personal protective equipment
- KPI's – Key Performance Indicators

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