



Report

Date: 26th January 2022

To the Chair and Members of the

AUDIT COMMITTEE

PROGRESS REPORT ON NORTH BRIDGE STORES TRANSFORMATION PROJECT

Relevant Cabinet Member(s)	Wards Affected	Key Decision
		No

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 third 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
- Street scene
- 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.

The information gathered and feedback collated enabled the launch of an initial six-month plan which to run from July 2021 until December 2021 to bring operational concerns up to an acceptable standard.

The timetable for the original launch of the works agreed was partially delayed as a result of the incumbent Stores Supervisor leaving the employment of the Council and the temporary replacement Stores Supervisor was in position (1st October 2021).

This resulted in the initial six-month summary having agreed revised dates to run from October 2021-March 2022.

Since this change we have seen a rapid acceleration of objectives being achieved and this is reflected in the updates below.

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 which will be undertaken:

- 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 (OCTOBER –DECEMBER 2021)

Since the previous Audit Committee, and following on from improvements and actions completed in the period up to the Audit Committee reporting in October 2021, three key milestones were identified to be completed by the end of January. These are:

Stores Stock Count

A second full stock count has been completed (7th January 2022) and the results summary is attached. The stock take shows considerable improvement in stock variances and a significantly improved awareness of causes of issues being identified.

Stores Stock Take Analysis - December 2021

	Actual Items Counted with Variance	Actual Items Counted (with Variance Previous)	System Expected Count	System Expected Count (Previous)	Total Variance (Stock Items) Net +/-	Total Variance (Stock Items) Net +/- (Previous)	Total Net Variance at Cost Price (£)	Total Net Variance at Cost Price (£) (Previous)
Positive Stock Adjustments (Added to stock file)	80,558	51,798	48,249	32,593	32,309	19,205	27,810	103,721
Negative Stock Adjustments (Removed from stock file)	31,478	57,964	33,567	66,249	(2,089)	(8,285)	(8,982)	(51,175)
Total Stores Stock Adjustments	49,080	(6,166)	14,682	(33,656)	30,220	10,920	18,828	52,546

Total Stock Product Lines Held in Stores	2,552	2,546	6	
Total Cost (£) of all stock held in Stores	886,539	821,576	64,963	7.9 % Increase in total stock held
Number of product lines with a negative	325	363	(38)	Lines with a negative adjustment are 12.7% of stock held (previously 14.2%)
Number of product lines with a positive	309	396	(87)	Lines with a positive adjustment are 12.1% of stock held (previously 15.5%)
Total Product lines with a variance	634	759	(125)	Total lines with a variance have dropped by (125) - a reduction of 16.5%

Detailed Summary:

Stores held 886,539 stock items as of December 2021, an increase of 64,963 from October.

There were 31,478 stock items with a negative variance to the system and 80,558 stock items with a positive variance to the system

Within the variances, compared to the system 2,089 stock items were negative and not available and 32,309 stock items were found and added onto the stock file

The net position of all shorts and overs was a positive addition of 30,220 stock items and at cost the shortages were £8,982 and the overs were £27,810

The net impact at cost of the stocktake held in December 2021 was a positive addition of £18,828

(Compared to a positive adjustment of £52,546 in October 2021)

Summary & Analysis:

- Total gross value of variances = £27,810 (overs) + £8,982 (shorts) = £36,792.
- As a percentage of stock value = £36,792 / £886,539 = 4.15% - (Previous stock take = 18.8%)
- Net value of variances = £18,828 / £886,539 = 2.12% - (Previous stock take = 6.4%)
- There were no unexplained stock variances for any desirable items which have benefitted from increased security processes since October 2021.
- Stores have identified all items with a +/- variance to the system and these will be thoroughly investigated.
- The top ten variance lines have already been investigated and corrected.
- Product groups that had the most errors (at £ cost) will receive a new calendar of rotating cyclical monthly stock counts commencing in late January.
- 36 lines (5.7%) had a positive variance of over £100 for the total stock holding.
- 17 lines had a negative variance of over £100 for the total stock holding.

Another full end of year stock take will take place at the end of March 2022 with results to be reported.

Standard Operating Procedures

Full Standard Operating Procedures were issued when the current process was launched at the end of 2017, although these were not fully implemented by the operational team. As a consequence, many on-going custom and practices were outside of the SOP guidance. This was recognised in the 2021 report and prioritised for positive change.

As a result of this, all Standard Operating Procedures were reviewed between October-December 2021 with key stakeholders, to ensure the most efficient practices could be implemented into the Stores function. Revised and approved SOP's will be subject to full re-implementation during January 2022.

On-going work plans for the first quarter of 2021 are being agreed and are to be implemented from late January to April 2022 to improve processes that will support the Standard Operating Procedures.

Following the delivery and implementation of the Standard Operating Procedures a full suite of Key Performance Indicators (KPI's) will be developed and implemented as part of this programme during the period February to March 2022, in alignment with the original programme timetable, to provide both a baseline and a best practice operating standard for ongoing review and embedding as business as usual.

The KPI's will be reported monthly once all operating procedures are identified and confirmed.

Stores Users Survey

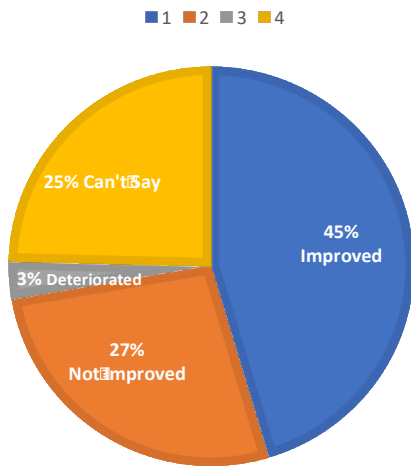
A questionnaire was sent to key users of Stores to ascertain current opinion and user experience. The results of the survey are attached. Overall, the survey reveals that users have seen an improvement in the Stores operation, whilst we still have further anticipated improvements to make, which will form the basis of our plans for the first quarter of this year.

Stores Survey (December 2021)
Analysis of Responses

Responses	10
%Rate	83%

Question		%Results			
		Improved	Not Improved	Deteriorated	Can't Say
1	I have seen improvements in the Stores operation	80	20		
2	The products in Stores are what I need	40	30		30
3	Deliveries from Stores are punctual	20	20	40	30
4	The service I receive from Stores is what I expect	60	30		10
5	The ordering process is easy to use	20	40	20	30
6	Stores staff are helpful	60	40		
7	I am contacted when my order is ready for collection	40	30	20	20
8	Products are as per the specification	40	40		20
9	Product pack sizes are suited to my needs	40	30		30
10	There are products which I feel we should stock but do not	50	30		20
11	Invoices and pricing are easy to understand	30	20		50
12	Suppliers of products are reputable	50			50
13	I will use Stores for the products and supplies I need if they are available	50	20		30

RESPONSE TYPES MIX

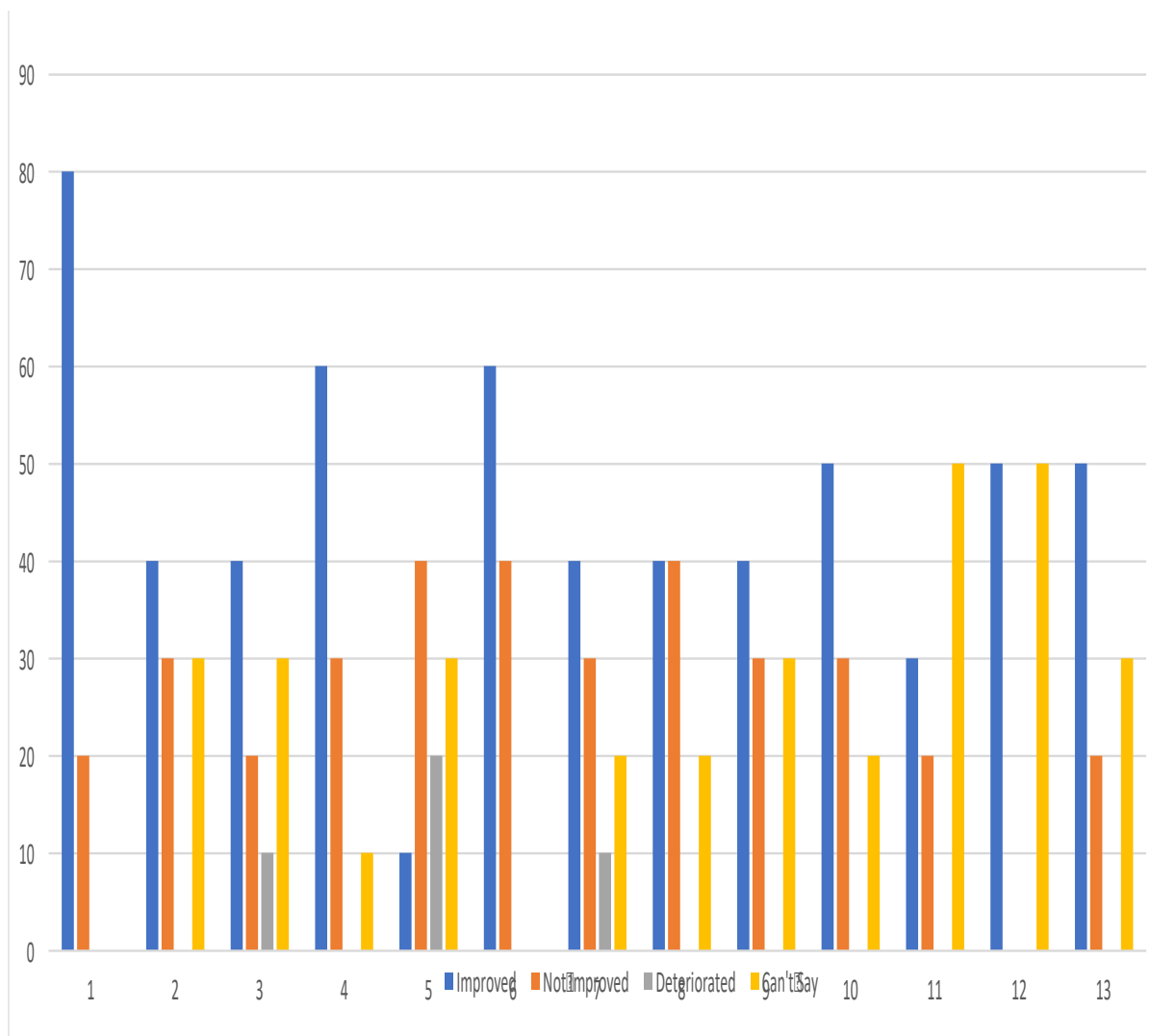


There were 10 survey responses from the 13 surveys originally requested (83% response)

45% of the responses indicated that improvements had been made since October

27% of the responses indicated that there were no obvious improvements – and this feedback will be built into plans for Q1 2022

Stores Survey Results Chart:



The survey encouraged individual feedback to supplement the responses. Some of the key comments included:

All of the survey feedback will be discussed with the Stores team to ensure that comments are investigated and if necessary operational changes will be made.

"New management seems to be making a difference"

"Usually I receive a good service, sometimes not so good"

"Staff can be moody sometimes. Usually the staff serving are helpful though"

"I am never contacted about my orders - goods can be left on the shelf for days"

"Siclops process is poor, product description is poor, amount of product to order is poor"

"There have been a number of positive improvements in stores recently including a willingness to work collaboratively".

"We use a 3 month order process, which generally works well, so we are only contacted if there is an issue".

Summary and Next steps:

Overall, the first three months of the initial six-month phase have been impacted by the resignation of the Stores Supervisor which has meant that the first three-month phase was actually October-December 2021. The temporary Supervisor has embraced the challenge with enthusiasm and total commitment and visible improvements have been made.

Significant physical layout and organisational tasks have been undertaken by the new Supervisor and notable key relationships have been re-established which will further enhance the reputation of Stores throughout the Council.

At the date of reporting, activities planned for implementation by the end of the initial three-month review period (Oct-Dec) have all progressed well and have been completed within the parameters agreed by the Stores Board.

Next steps in the second three-month implementation period include:

- An full end of year stock take in March 2022
- Cyclical stock takes of specific holding categories to commence from the end of January 2022
- Implementation of Standard Operating Procedures
- Continue cyclical refresher staff training as a business as usual activity following updates in the October to December implementation period.
- Complete the physical reorganisation of Stores including clearing redundant stock lines and consolidation of stock in category areas.
- Development of Key Performance Indicators
- Embedding Stakeholder Management Meetings as a business as usual activity

Full recruitment for a permanent Stores Supervisor is proposed in the first quarter of 2022 to cement the improvements as part of business as usual in the proper and efficient operation of the Stores function.

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

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

[Officer Initials - SRF Date 17.01.22]

12. FINANCIAL IMPLICATIONS

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.
- Stock Control Account value being under/overstated.
- The service revenue position being adversely affected.

The financial impact of full stock takes should be reviewed 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.

[Officer Initials LS Date 18/01/22]

13. HUMAN RESOURCES IMPLICATIONS

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.

[Officer Initials AA Date 17/01/2022]

14. TECHNOLOGY IMPLICATIONS

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

[Officer Initials - PW Date 17/01/22]

15. HEALTH IMPLICATIONS

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.

[Officer Initials – RS Date 17/01/2022]

16. EQUALITY IMPLICATIONS

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.

[Officer Initials - IK Date 17/01/22]

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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