



Doncaster Council

Report

Date: 28th April 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 fourth 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 lessons learnt during the further review will be implemented during quarter two of 2022 (April-June). 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

In April 2022 the Stakeholder Management meetings will become once a quarter, whilst the monthly meetings will be held between Stores and key operational managers to assist greater understanding and improved efficiency.

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 ran from July 2021 until December 2021 to bring operational concerns up to an acceptable standard.

Since the start of the year we have seen improvements in the overall operation of Stores and the on-going work will ensure that these improvements are embedded into the culture of the team. These improvements are 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 following key activities represent on-going work:

- 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
- Two stocktakes annually (September and March) to be carried out with detailed investigation of all variances.
- Monitoring and follow-up activity for all issues that arise after the stocktakes to continue to develop and embed a culture of adherence.

9. **PROGRESS UPDATE (DECEMBER 2021 – MARCH 2022)**

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 and January 2022, three key milestones were identified to be completed by the end of March 2022. These are:

Stores Stock Count (End of Financial Year)

A third full stock count has been completed (28th March 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. This stock take reconciles with the end of year accounts and is the best overall result for several years.

Stores End of Financial Year Stock Take Summary by Department

STORES

Group	Description	Total Value (£)	Stocked Lines	(Negatives) (£)	(Negative) Lines	Average Negative Value/Item	Positives (£)	Positive Lines	Average Positive Value/Item	Negative %	Positive %	Variance Net (-£)	Variance Net (-£) %	Total Variance Lines	Group Variance Lines %
58	Metro Clean	60,941	76	5,525	75	73.33	1,235	9	2.59	5.8	2.0	2,290	-3.8	74	2.0
60	Clothing/PPE	1,058	05	584	0	1.68	18	1	3.16	3.9	1.7	666	-2.1	81	2.6
47	Bricks etc	720	9	266	9	6.63	69	0	6.90	13.0	8.9	97	-4.1	29	6.7
72	Chemicals	0,026	7	96	7	96.00	0	1	0.00	2.0	0.7	26	-1.3	2	8.6
49	Plumbing	6,851	75	35	20	6.75	28	5	5.60	0.8	0.2	07	-0.6	25	1.1
73	Small Hand Tools	6,425	8	16	2	8.00	7	1	7.00	2.1	0.7	9	-1.5	3	9.9
59	Fitters Materials	7,912	79	15	8	4.38	9	8	1.13	0.6	0.5	6	-0.1	16	7.7
61	Gas	324	3	7	2	5.50	7	2	7.00	2.2	0.0	7	-2.2	2	5.4
50	Tapes/Adhesives	85	5	7	5	7.00	5	5	7.00	0.0	0.0	0	0	0	0
62	Timber	172	6	7	6	7.00	6	6	7.00	0.0	0.0	0	0	0	0
68	Sharps Bins	215	4	7	4	7.00	4	4	7.00	0.0	0.0	0	0	0	0
51	Ironmongery	5,984	67	11	3	3.33	3	1	5.00	0.0	0.1	7	0.0	4	0
53	Electrical	2,499	58	71	61	6.08	88	5	6.2	0.9	0.9	7	0.0	106	3.1
55	Kerbs	6,271	7	097	7	7.00	118	7	7.00	4.7	4.7	1	0.0	0	0
56	Sealants/Adhesives	3,533	31	66	27	3.71	94	24	8.50	4.7	5.5	28	0.8	11	5.5
57	Tools	5,240	11	66	3	6.91	32	2	8.73	7.0	12.1	266	5.1	75	5.5
52	Cables	8,378	7	2	7	2.00	85	7	6.25	0.1	4.6	73	4.5	5	0.6
54	Street Lighting	63,296	44	5,956	41	83.62	6,830	9	59.47	0.9	1.0	74	0.1	40	6.4
	Totals (£)	57,930	297	6,913	293	57.72	14,596	80	82.1	1.8	1.5	3,317	-0.2	73	20.6

This stock take was the end of year count, which in March 2021 was not completed correctly and resulted in many of the issues we have faced on this review.

Stock Take Summary & Analysis:

- The total gross value of variances = **£14,596 (overs)** and **£16,913 (shorts)** = net balance **£2,317 (short)** compared to £27,810 (overs) and £8,982 (shorts) for the previous stock take in December 2021.
- As a % of overall stock held, the stocktake result is a loss of **0.2%** which is significantly reduced since the project commenced. The previous two stocktake results were **18.8% (October 2021)** and **4.15% (December 2021)**.
- 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 and understood.
- The top ten variance lines have been investigated and corrected prior to reporting to represent a more accurate posting of figures.

The overall stock take result represents a significant improvement of the trend of results and demonstrates the level of stock management now in place.

Due to the results shown in this major stock take, there will be two stock counts held per year. The second count of 2022 will be carried out at the end of the third quarter (September).

Perpetual Inventory Counts (Cyclical counting)

A full calendar of perpetual inventory counts commenced in January 2022 which means that 47 additional stock counts on rotated product groups will be carried out by the Stores team each year.

The schedule reflects the stock count variances and the worst category groups will receive more counts than nominal variance groups.

The results of all PI counts are retained for management and Internal Audit inspection and will further improve the on-going accuracy of the entire stock file.

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.

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 were fully implemented into Stores at the end of January 2022.

On-going work plans for the second quarter of 2022 are being agreed and are to be implemented from late April to June 2022 to further improve processes that will support the Standard Operating Procedures. Staff will be monitored to ensure full compliance with the procedures at all times.

Operational admin trackers have been implemented to allow a thorough understanding and analysis of the workload at operational level, including analysis of the non-stock orders and purchase processes and the internal deliveries process currently operating. The results of this analysis will allow more efficient operations to be implemented in quarter 4 of this year.

Key Performance Indicators (KPI's)

Following the implementation of the Standard Operating Procedures a full suite of Key Performance Indicators (KPI's) have been developed and will be implemented in April 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 suite of KPI's will be refined as required and reported monthly to management, Transformation Board and other stakeholders including the Audit Committee.

Stores Users Survey

A questionnaire was sent to key users of Stores to ascertain current opinion and user experience. The results of the survey have been built into the current priorities for improvement and include a re-launch of the process that means a Stores operative contacts the customer when the delivery arrives – the single most negative feedback received on the survey. The survey revealed that users have seen an improvement in the Stores operation, and all of the feedback will be reviewed ahead of a second survey which will be carried out at the end of June 2022.

Summary and Next steps:

At the date of reporting, activities planned for implementation by the end of the March 2022 have all progressed well and have been completed within the parameters agreed by the Stores Transformation Board.

Next steps in the third three-month (April-June) implementation period include:

- Embedding of Standard Operating Procedures
- Embedding and understanding of PI count schedule
- Analysis of current stocked lines vs actual need
- Updating of 'minimum stock levels' and 're-order' levels for stock
- Full review of entire Metro Clean stock holding
- Write-off of all redundant and obsolete stock
- Launch and embedding and reporting of Key Performance Indicators (KPIs)
- Embedding revised Stakeholder Management Meetings (operational managers) as a business as usual activity

Full recruitment for a permanent Stores Supervisor is proposed in the second 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 previous 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 – 14.04.22]

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.

Regular stock takes will allow any significant variances to be identified, and allow timely action to be taken. The impact of future stock takes should continue to be reviewed to identify any impact on the service budget for 22/23.

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 20/04/21]

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 20/04/2022]

14. **TECHNOLOGY IMPLICATIONS**

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

[Officer Initials - ET Date 15/04/22]

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 14/04/2022]

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 12/04/22]

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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