



Doncaster Council

Report

Date: 28 July 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
N/A	N/A	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 fifth 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 continues to 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 implemented in May 2021 to ensure longer lasting/sustainable improvements for the Stores function moving forward.

The review has identified the key issues that are driving the shortfalls and a plan was 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 with subsequent alignment of processes continuing throughout 2022. The lessons learnt during these further reviews will be implemented during this year and will form part of the Key Performance Indicators (KPI's) that the Stores team will deliver. The reviews are 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 teams and these meetings have now been re-aligned to focus on operational issues alongside strategic issues. The former stakeholder monthly meetings are now once a quarter, whilst the operational meetings remain monthly.

The monthly Stakeholder Management operational 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 and continued feedback from the Audit team is fed into the operational practices within Stores.

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 launch of an initial six-month plan (which ran from July 2021 until December 2021) to bring operational concerns up to an acceptable standard has now been followed by a period of reconciliation and embedding of processes with a further review and update in quarter 3 2022.

Since the start of the year we have seen improvements in the overall operation of Stores and this on-going work will ensure that these improvements are embedded into the culture of the team. These continued improvements are reflected in the updates below.

There continue to be 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 which will continue alongside business as usual operations once the overall project is closed.

The following key activities represent the on-going work in Stores, all of which are now moving significantly towards full embedding:

- 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 (MARCH 2022 – JUNE 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, January 2022 and April 2022, key milestones that were identified to be completed by the end of June 2022 were:

Stores Perpetual Inventory Count Schedule

The Perpetual Inventory counts (ad-hoc stock counts on specific departments only) were implemented in March 2022, and the cycle identified counts that were due to have been completed by the end of June.

The results of these counts indicate improved accuracy in stock counted vs stock levels on the system and the results are shown below:



Doncaster
Council

STORES
Stock Management 2022

Stores Perpetual Inventory Count (PI Count) Results Tracker								
Group Details		Q1 Count						
Group	Description	System Expected Lines	Actual Lines Counted	Var Lines (Negative) (-)	Var Lines (Positive) (+)	Lines Var (+/-)	Group Lines Var %	System Reported Var Cost £
47	Brick Laying & Associated					0		
48	Pipes/Guttering etc					0		
49	Plumbing Materials	275	275	15	8	-7	8.4%	-6.61
50	Masking Tapes etc	3	3	1	1	0	66.7%	0.26
51	Ironmongery	56	56	2	4	2	10.7%	35.31
52	Cables					0		
53	Electrical					0		
54	Street Lighting	243	243	5	13	8	7.4%	-52.43
55	Kerbs					0		
56	Adhesives & Sealants	29	29	2	1	-1	10.3%	-4.93
57	Tools					0		
58	Metro Clean	176	176	23	25	2	27.3%	-14.39
59	Fitters Materials					0		
60	Clothing, Footwear & PPE					0		
61	Gas	13	13	0	0	0		0
62	Timber	6	6	0	0	0	0.0%	0
68	Sharps Bins etc					0		
72	Grounds/Mats etc	7	7	2	1	-1	42.9%	-2.56
73	Hand Tools	38	38	2	1	-1	7.9%	0.72
	Totals	846	846	52	54	2	12.5%	(44.63)

Overall 846 lines have been counted with a system variance of 12.5% (the target is 5%) and a total loss value of £44.63.

Before the end of Q3 full stocktake (the end of September 2022) a schedule of 35 PI counts will have been completed and this will help the total stocktake accuracy considerably. The PI count schedule will be an on-going continual task to help manage the entire stock control process.

Standard Operating Procedures

Full SOP's were implemented for all staff, with agreement signatures, prior to the end of June 2022 to further improve standardisation of processes. Monitoring of staff compliance to SOPs will continue throughout July-Sept and any non-compliance will be investigated.

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.

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. A second survey is planned to be sent to all stakeholders in July for a late August response allowing a direct comparison between both surveys ahead of the fourth quarter of this year.

This survey will be supervised by the new Stores Manager.

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 were implemented in May 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 agreed Stores KPI's are shown below:



Doncaster
Council

STORES

Key Performance Indicators
2022

Key Performance Indicators (KPI's)					
Description and Details					
Key Performance Indicator Description	Actual 2021	Target 2022	2022 Q2 Results	2022 Q3 Results	YEAR
Orders to be fulfilled via Requisition <i>90% of all stock orders will be placed through the official IT process and recorded correctly, in line with SOP's</i>	60%	90%	90%		
Callbacks to customers for stock arrival <i>Customers who place an order for 90% of received stock deliveries will receive a telephone notification within 48 hours of receipt</i>	25%	90%	30%		
Same Day availability for orders before noon <i>85% of stock orders placed (through E5) before midday will be available to collect the same working day before 15:30hrs</i>	70%	95%	75%		
Next Day availability for orders post noon <i>85% of stock items ordered (through E5) after midday will be available for collection from 07:30hrs the next working day</i>	65%	90%	70%		
Perpetual Inventory Counts completed <i>The agreed Perpetual Inventory (PI) count calendar of 47 counts will be completed as per the monthly schedule</i>	40%	100%	67%		
PI Count stock variances <i>Regular PI counts will reveal no more than +/- 2% variance and all issues will be corrected at the time of count</i>	5%	2%	12%		
Goods Awaiting Pick-up managed <i>85% of goods awaiting pick up will be collected within 14 days of receipt. Weekly chase-ups and logging will be carried out each Friday</i>	12%	85%	35%		
Live Stock vs Total Stock <i>85% of all stock within Stores will be live and operational. Any obsolete or un-logged stock will be corrected</i>	78%	85%	81%		
Active Lines vs Issued Lines <i>The Stores product inventory will consist of active stock lines representing 80% of the total inventory</i>	63%	80%	73%		

Stores Manager Recruitment

Due to the issues identified during the first twelve months of activity, the role of Stores Supervisor has been upgraded to Stores Manager and recruitment activity is taking place. A Stores Manager will soon be appointed to take control of all of the tasks and recommendations highlighted in the project plan.

Summary and Next steps:

At the date of reporting, some activities planned for implementation by the end of June 2022 have been progressed and have been completed within the

parameters agree by the Stores Transformation Board, whilst others have had to be rescheduled and are reflected in the updated plan for July to September, as shown below:

Next steps in the third three-month (July-Sept) implementation period include:

- Assessment of compliance to Standard Operating Procedures
- Follow-up training of Standard Operating Procedures as required
- Assessment and analysis of PI count schedule year to date
- Review and re-assessment of all current newly launched processes
- Continued reviews of 'minimum stock levels' and 're-order' levels
- Completion of full review of entire Metro Clean stock holding
- Completion of the Write-off of all redundant and obsolete stock
- Update and reporting of Key Performance Indicators (KPIs)
- Stakeholder Management Meetings to become business as usual

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, mis-placed 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 (OFFICER INITIALS - SRF DATE – 14.04.22)

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 – LS Date 15/7/22)**

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

13. **HUMAN RESOURCES IMPLICATIONS (Officer Initials – AA Date 15/7/22)**

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 - ET Date 14/7/22)**

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

15. **HEALTH IMPLICATIONS (Officer Initials – CH Date 15/7/22)**

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 14/07/22)**

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:

- SOP – Standard operating procedures
- IT – Electronic support systems
- KPI's – Key Performance Indicators

REPORT AUTHOR & CONTRIBUTORS

Ian Kerr
Project Manager

☎ 01302 737352 ✉ ian.kerr@doncaster.gov.uk

David Stimpson

Head of Service

☎ 01302 737363 ✉ david.stimpson@doncaster.gov.uk