



# Doncaster Council

## Report

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Date: 27<sup>th</sup> October 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 sixth update on the activities that have commenced. The original assessment of the Stores function has identified work required in 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 was impact upon the day to day processes of the service.

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

The lack of thorough stock control and systems management was compounded by the suitability of the physical buildings used for Stores –some of which are in a poor state of repair or not available to Stores staff, being used by other services and also the work streams currently been carried out by the Stores team, some of which do not fall within the scope of the core operating procedures.

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 subsequent day to day custom and practice not fully aligned to the requirements of the 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 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 have informed the development of the Key Performance Indicators (KPI's) for the Stores team to deliver. Further consideration has also been given to interactions with 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 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
- 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 identified key stakeholders within all of the work areas that impact, support or use the Stores function so that these issues could be fully investigated to allow a comprehensive understanding of the reasons why and the actions required to fix on a permanent basis.

This work has included 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 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 at this meeting

Improvements in the overall operation of Stores and on-going work to ensure that these improvements are embedded into the culture of the team have been slowed somewhat by the process of recruitment of a permanent Stores Manager. Ongoing improvements and positive changes since the last reporting date 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 business as usual activities or progressing significantly towards full embedding:

- Ongoing organisation of the physical Stores buildings to make best use of available space including recovery of space used by other services.
- 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 plus secure storage of portable and valuable items.
- 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
- Development of new and renewed contract procurement to ensure fit for purpose and value for money items held on stock.
- 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 and 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 full stocktakes annually (September and March) to be carried out with detailed investigation of all variances.
- Implementation of perpetual inventory counts on identified stock lines throughout the year to augment full stock takes and minimise day to variances on stock holdings.
- Monitoring and follow-up activity for all issues that arise after the

stocktakes to continue to develop and embed a culture of adherence.

- Development of a suite of Key Performance Indicators (KPI's) with monthly reporting – see Appendices to this report for latest full month statistics

## 9. **PROGRESS UPDATE (JULY 2022 – OCTOBER 2022)**

Since the previous Audit Committee, and following on from improvements and actions completed previously, key milestones that were identified to be completed for next reporting were:

1. Standard Operating Procedures
2. Stores Users Survey
3. Key Performance Indicators
4. Store Manager recruitment
5. Half Year Full Stock Take
6. Implementation Plan progress
7. Other items

### **Standard Operating Procedures:**

Full SOP's have been agreed, approved and are being provided with appropriate training to further improve processes that will support the Standard Operating Procedures. Monitoring of compliance to SOPs will continue throughout Sept to Dec '22 and any issues will be investigated. 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.

Compliance to the SOP's will be assessed in Quarter 3 2022/23 with further support training provided where necessary.

### **Stores Users Survey:**

A decision was made to defer this survey to ensure fullest available responses and avoiding the summer holiday period in quarter 2. A second survey is planned to be sent to all stakeholders quarter 3 allowing a direct comparison between both surveys ahead of the fourth quarter of this year.

### **Key Performance Indicators (KPI's):**

Key Performance Indicators (KPI's) developed and implemented in May 2022 in alignment with the original programme timetable, are beginning to provide both a baseline and a best practice operating standard for ongoing review and embedding as business as usual.

Latest Stores KPI's are shown below:

Key Performance Indicators (KPI's)											
Description and Details			Results								
Key Performance Indicator Description	Current	Target	Jan	Feb	March	April	May	June	July	Aug	Sep
<b>Orders to be fulfilled via Requisition</b>	90%	90%					65%	80%	80%	85%	90%
<i>90% of all stock orders will be placed through the official IT process and recorded correctly, in line with SOP's</i>											
<b>Callbacks to customers for stock arrival</b>	80%	90%					30%	30%	50%	75%	80%
<i>Customers who place an order for 90% of received stock deliveries will receive a telephone notification within 48 hours of receipt</i>											
<b>Same Day availability for orders before noon</b>	85%	85%					80%	80%	80%	80%	85%
<i>85% of stock orders placed (through E5) before midday will be available to collect the same working day before 15:30hrs</i>											
<b>Next Day availability for orders post noon</b>	90%	90%					90%	90%	90%	90%	90%
<i>85% of stock items ordered (through E5) after midday will be available for collection from 07:30hrs the next working day</i>											
<b>Perpetual Inventory Counts completed</b>	100%	100%					100%	100%	100%	100%	100%
<i>The agreed Perpetual Inventory (PI) count calendar of 47 counts will be completed as per the monthly schedule</i>											
<b>PI Count stock variances</b>	4%	2%					5%	5%	5%	4%	4%
<i>Regular PI counts will reveal no more than +/- 2% variance and all issues will be corrected at the time of count</i>											
<b>Goods Awaiting Pick-up managed</b>	85%	85%					85%	85%	85%	85%	85%
<i>85% of goods awaiting pick up will be collected within 14 days of receipt. Regular weekly chase-ups and logging will be carried out each Friday</i>											
<b>Live Stock vs Total Stock</b>	100%	85%					100%	100%	100%	100%	100%
<i>85% of all stock within Stores will be live and operational. Any obsolete or un-logged stock will be corrected</i>											
<b>Active Lines vs Issued Lines</b>	80%	80%					70%	75%	75%	75%	80%
<i>The Stores product inventory will consist of active stock lines representing 80% of the total inventory</i>											

The record shows a continuing improvement and embedding of processes to deliver at or near to target outcomes against key performance indicators.

KPI's will be reviewed in quarter 4 to ensure that they are fit for purpose, providing challenge and are relevant to the ongoing and future delivery of the service.

### Stores Manager Recruitment

As was reported in July 2022 Audit Committee, the role of Stores Supervisor was upgraded to Stores Manager and recruitment activity took place in June 2022. Unfortunately this recruitment was not successful and the post was re-advertised in September 2022. Following this activity, a Stores Manager has been appointed to take control of all of the tasks and recommendations highlighted in the project plan. An update will be provided on this point at Committee.

### Half Year Full Stock Take:

The second full stock take of 2022 and the first of the 2022/23 financial year was undertaken during September, following agreed procedures established in revised SOP's and with a dedicated and trained staff resource. This included updates and team meetings prior to the stock take to confirm and allocate roles and responsibilities and ensure service delivery cover for day to day Stores activities during the stock take process.

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	62,489	176	712	26	27.40	1,235	11	112.27	1.1	2.0	523	0.8	37	21.0
60	Clothing/PPE	41,307	301	1,021	53	19.26	766	41	18.69	2.5	1.9	-255	-0.6	94	31.2
47	Bricks etc	10,791	78	88	6	88.03	168	4	41.94	0.8	1.6	80	0.7	10	12.8
72	Chemicals	11,081	7	-	-	-	-	-	-	0.0	0.0	-	0.0	0	-
49	Plumbing	18,607	275	44	10	4.43	140	18	7.79	0.2	0.8	96	0.5	28	10.2
73	Small Hand Tools	5,334	38	150	5	29.92	20	1	19.73	2.8	0.4	-130	-2.4	6	15.8
59	Fitters Materials	16,517	279	380	18	21.09	106	7	15.14	2.3	0.6	-274	-1.7	25	9.0
61	Gas	315	13	6	1	6.42	-	-	-	2.0	0.0	-6	-2.0	1	7.7
50	Tapes/Adhesives	69	3	-	-	-	-	-	-	0.0	0.0	-	0	0	-
62	Timber	172	6	-	-	-	-	-	-	0.0	0.0	-	0	0	-
68	Sharps Bins	215	1	-	-	-	-	-	-	0.0	0.0	-	0	0	-
51	Ironmongery	20,066	57	5	3	1.74	25	2	12.44	0.0	0.1	20	0.1	5	8.8
53	Electrical	44,645	446	539	44	12.26	77	15	5.10	1.2	0.2	-463	-1.0	59	13.2
55	Kerbs	58,071	67	361	4	90.25	967	12	80.57	0.6	1.7	605	1.0	16	23.9
56	Sealants/Adhesives	3,884	31	11	-	-	11	1	10.87	0.3	0.3	-	0.0	1	3.2
57	Tools	14,075	211	564	38	14.85	302	22	13.71	4.0	2.1	-263	-1.9	60	28.4
52	Cables	7,230	47	36	2	18.07	290	3	96.57	0.5	4.0	254	3.5	5	10.6
54	Street Lighting	597,907	230	919	14	65.64	2,313	16	144.56	0.2	0.4	1,394	0.2	30	13.0
	<b>Totals (£)</b>	<b>912,776</b>	<b>2,266</b>	<b>4,838</b>	<b>224</b>	<b>21.60</b>	<b>6,418</b>	<b>153</b>	<b>579</b>	<b>0.5</b>	<b>0.7</b>	<b>1,581</b>	<b>0.2</b>	<b>377</b>	<b>16.6</b>

### Stock Take Summary and Analysis:

Data set	Sept 2022	April 2022	Dec 2021
Gross Value of variances - over	£6,418	£14,596	£27,810
Gross Value of variances - short	£4,838	£16,913	£8,982
Total Variance Stock Lines	377	473	634
Variance as a % of total stock held	0.2%	0.2%	4.15%

- Total Stock held value reduction since April 2022 = £45,154
- The top ten variance lines have been investigated prior to reporting
- Top ten variances in terms of value lines included one line with a variance of £1500 and the next highest nine lines of just over £100 per line.

The overall stock take results present ongoing improvement of the trend of results of lower average values and total numbers attached to variances from previous stock takes.

### Implementation Plan progress:

The implementation Plan has been further developed and refined since the date of the last reporting and cross references with current and previous Audit action items. The plan also provides for themed and individual actions for implementation in support of these specific recommendations and to augment best practice standards and efficient service delivery within Stores.

A summary copy of the Implementation Plan is attached as an appendix to this report.

### Other items:

Other implemented items marked against the implementation plan include;

- Agreed and implemented processes between Stores and Financial Services to identify, write off and dispose of obsolete stock throughout the year with a review of unused and underutilised lines prior to financial year end.
- Planned resource allocation for full stock takes to deliver a planned and structured stock take with built in variance monitoring and investigation.
- Task allocation for team members to ensure flexibility and efficient working on day to day activities.
- All stock issued with a requisition and no stock items issued and placed on the IM system without a cost centre.
- Revised and improved process developed for a 'self-help' access to stock delivery records for customers to support timely collection of ordered goods.
- Stock usage monitoring reports reviewed weekly and actions taken a stock line level to address variances.
- All new stock items provided with a location code.
- Contract renewal for Electrical and Plumbing contracts, including review and reduction of lines held to reflect customer demands and capacity for suppliers to supply at short notice. A reduction of 329 lines has been achieved and a further 274 lines identified for review for removal from active stock lines.

### **Summary and Next steps:**

At the date of reporting, activities planned for implementation by the end of the September 2022 have all progressed with the exception of the deferred User Survey and have been completed within the parameters agreed by the Stores Transformation Board and within the implementation plan.

Next steps in the (Sept – Dec 22) implementation period include:

- Stores Manager in post
- Stores User Survey
- Embedding of spot checks within Perpetual Inventory counts – commenced
- Development of training needs assessment for individual team members via PDR and one to ones to ensure up to date system knowledge and technical expertise.
- Embedding and further training of Standard Operating Procedures
- Update and reporting of Key Performance Indicators (KPIs)
- Continuing Stakeholder Management Meetings (operational managers) as a business as usual activity



## 10. RISKS & ASSUMPTIONS

Risks associated with 'do nothing' or 'unsuccessful project' scenario:

Risk/issue	Outcome	Likelihood	Status
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	Contract management diary in place and procurement with suppliers actively managed
Pricing charged by suppliers is not checked	Council pays a higher price for stock than expected	High	Pricing checked – ongoing review with P2P
Stocks held are not matched to customer needs	Stocks held become obsolete. Internal customers purchase stock from outside Stores	High	Stakeholder consultation and involvement in new contracts and obsolete stock identified and removed
Physical storage areas not organised and clean	Stock is damaged, not counted, misplaced or stolen	Medium	Stock is consolidated accurately identified and secure
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	Training needs assessed and training being rolled out and reviewed for effectiveness
Operating Procedures not used	Impacts on all of the above and prevents accountability	High	Operating procedures being monitored for implementation
Regular communications between Stores and internal customers	Lack of communications means that minor issues become significant problems	Medium	SMM developed and in regular use as a medium for two way dialogue and risk management

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.

The status of the mitigations against identified risks demonstrates the progress to date and assurance improvements made,

## 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: 13.10.22]**

## 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 highlights that some work streams currently been carried out by the Stores Team do not fall within the scope of the operating procedures, if these relate to the Commercial Activity function of the service (e.g. supply of 'Man with a Van' to internal services), then the associated income budget will need to be reviewed and any budget pressure identified.

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. The building is part of a wider review of North Bridge Depot currently underway.

The Stores Supervisor post (Grade 9) has been replaced with the now appointed to Stores Manager post (Grade 10), budget will need to be identified to address the budget shortfall for 23/24 onwards.

**[Officer Initials LS 12/10/22 ]**

## 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 14.10.2022 ]**

## 14. TECHNOLOGY IMPLICATIONS

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

## 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.

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 - DS Date 30/09/22]**

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:

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

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