

**Report of the Chief Officer PPPU**

**Report to Scrutiny Board (Strategy and Resources)**

**Date: 20 March 2017**

**Subject: Effective Procurement**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

This report seeks to provide an update to Scrutiny on the ongoing work within the Projects, Programmes and Procurement Unit (PPPU). The report covers:

1. An update on PPPU's access to council feeder systems following the intervention of the Scrutiny Board
2. Improvements to the council's financial management system (FMS) to reduce off contract spend
3. Ongoing work to reduce non-contract spend
4. An analysis of the use of Waivers of the Contracts Procedure Rules (CPRs) April 2016 to February 2017.
5. Participation in the Core Business Systems Review (CBSR)

**Recommendations**

Members of Scrutiny Board (Strategy and Resources) are asked to note the contents of this report and to comment on any areas where they would like further information.

## **1 Purpose of this report**

- 1.1 To provide a further report to the Board as requested.

## **2 Background information**

- 2.1 The council's CPRs confirm that each directorate is accountable for the procurements that they need in order to deliver the services and secure the outcomes that they are responsible for. Scrutiny Board were provided with a copy of CPRs for the September 2016 board meeting. The central procurement function is accountable for providing a central source of expertise, advice and support, providing check and challenge as appropriate.
- 2.2 The Portfolio Management Office (PMO) within PPPU asked for Scrutiny Board's assistance in August 2015 to access the council's feeder systems. Access was sought in order to assist in the identification of <sup>1</sup>off and <sup>2</sup>non-contract spend across the council and to ensure council colleagues comply with CPRs. An email was sent by Scrutiny Board asking system owners to consider how contract information could be obtained from feeder systems. This report provides an update on progress made since Scrutiny's intervention.
- 2.3 At Scrutiny Board on 21 December 2015, there was a request that the PMO provide an analysis of waivers of CPRs. This report provides the latest update on the use of Waivers of CPRs in financial year 2016/17.
- 2.4 At the September 2016 Board meeting it was reported that the PMO had made improvements to FMS e.g. an improved search facility for finding contracts and internal service providers (ISPs) on 26<sup>th</sup> January 2016 to assist order raisers in being able to select the correct contract and therefore reduce off-contract spend.
- 2.5 The PMO and Category Managers within PPPU have collaborated with colleagues in the wider council including the Business Support Centre, Corporate Finance, and the Directorates in order to identify and influence a reduction in off or non-contract spend, reduce the risk of challenge and increase value for money.

## **3 Main issues**

### **3.1 Feeder systems**

- 3.1.1 Where invoices/payments are processed via the council's financial management system (FMS Leeds), contract and other procurement information is captured at the point when the order is raised and non-contract/off-contract spend can be monitored via FMS Leeds reporting.
- 3.1.2 Where orders for goods and services originate from other departmental ordering systems, these are processed through FMS Leeds for payment. Scrutiny Board were previously advised that the feeder files uploaded to FMS do not contain contract and other procurement information. As such,

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<sup>1</sup> Off contract is where a contract for the goods or service being ordered exists but has not been used.

<sup>2</sup> Non-contract spend is where there is not a contract in place for the goods or services. If the spend is over £10k, CPRs state there should be a contract

it was not possible to report contract/off-contract spend from these feeder systems from FMS Leeds without manual intervention. Scrutiny Board therefore supported the PMO in gaining access to the feeder systems in order to seek system changes to reduce the need for manual intervention. The changes sought were to improve transparency for the PMO to be able to match contracts to expenditure.

## **4 Progress Made**

### **4.1 Update on Access to Feeder systems**

4.1.1 PMO officers are part of the CBSR team. With the assistance of Scrutiny intervention and the CBSR team the following feeder system improvements have been achieved:

- The Adult Social Care Change Advisory Board (CAB) recently met and pending final approval a contract reference field will be made available within the CIS system. This will allow PMO to match spend against contracts.
- The Total R (Repairs system) used by Leeds Building Services (LBS) has also been amended to include a contract reference in the description field. When orders are raised in Total R, the user must select a contract or a reason why they are not using a contract, e.g. 3 quotes, emergency or a waiver. PMO will be responsible for validating the data and reporting errors back to LBS.
- In the Orchard system (used for repairs to housing stock) a method of identifying the type of expenditure within the invoice number has been established. This allows spend to be automatically linked to the specific contract.
- The PMO has been given access to a contract information reporting function within the PS-Team system (Certificate Payments for building contractors). PMO has now linked the report to the YORtender contract reference. The result of this work is that £50m of spend is now easily identifiable in terms of contracts.
- The PMO have worked with the Translate system team and provided training on FMS order raising. The FMS orders raised which feed into the Translate system are now compliant with CPRs and visible for contract identification purposes.
- The PMO and CBSR team representatives met with passenger transport colleagues with a view to getting contract information into Trapeze (the transport ordering feeder system). Contract information is now added into the Trapeze system. Training is due to be provided to the PMO for the information to be extracted so that expenditure against contracts is visible and there is not a need for manual checking for non and off contract spend.

## 4.2 Improvements to FMS

- 4.2.1 Following the improvements to FMS which went live on 26<sup>th</sup> January 2016, e.g. enhanced search function, reasons for non-contract orders, promotion of internal suppliers etc. further improvements have been made. The list of non-contract reasons has been refined to give more accurate classification which will make non influenceable expenditure more visible and provide a greater audit trail.
- 4.2.2 The CBSR team is currently working towards a solution in FMS to capture the improved contract information from the various feeder systems outlined above. The aim is for the contract information to flow direct into FMS without the need for separate reporting and analysis outside of FMS.
- 4.2.3 The CBSR and PMO are also seeking to implement the use of catalogues against contracts where possible. This should only allow order raisers to select contracted items from suppliers and consequently reduce the opportunity for off and non-contract spend.

## 4.3 Non and off-contract Spend

- 4.3.1 As reported above, the PMO together with the CBSR have instigated changes in order to access contract information from the feeder systems until FMS can handle the data direct. In the interim, these changes will allow greater visibility of non and off-contract spend.
- 4.3.2 Previously it was not possible to allocate expenditure to contracts where Housing sub-contractors were paid by purchasing cards. The PMO worked with the Housing team to identify a process to allocate jobs to contracts and flow the contract reference into the purchasing card data that the PMO reports from. This development has meant that there are 12,000 lines of data that are now automatically matched to contracts and visible against the correct contract.
- 4.3.3 A contract expenditure analysis is distributed to the Corporate Procurement Group (CPG) so that expenditure by directorates with suppliers who do not hold a contract is visible. This gives an overview to the directorates.
- 4.3.4 Copies of the Contract Register and the list of ISPs are due to go on Insite. These will raise awareness of active contracts and internal services available without having to have FMS access.
- 4.3.5 Scrutiny Board requested that the Chief Officer, HR develop an e-learning procurement training module for council staff through the Performance and Learning (PAL) system. This is near completion. The module will give guidance and training for staff council-wide to comply with policy, governance and CPRs when ordering goods and services. It is envisaged

that the Chief Officer HR, will be able to provide an update on the monitoring of completion rates following roll-out.

- 4.3.6 The PMO will be offering further guidance and training to YORtender users within the Directorates who raise contracts for £100k or less through YORtender (the council's electronic tendering system). Where expenditure is identified that is over £10k and should be on a contract in YORtender, the Directorate will be offered training and guidance as required.
- 4.3.7 In January 2016 (before the changes to FMS were implemented) the on contract orders in FMS accounted for **88.73%** of orders placed. The latest figure for 2016/17 year to date (January 2017) is **95.7%** of orders are on contract against a target of 95% of on contract orders.

#### 4.4 **Waivers**

- 4.4.1 CPRs allow certain rules to be waived in circumstances where the relevant Chief Officer considers that course of action to be justified. For example, provided that a decision to waive CPRs is always at least a Significant Operational Decision for the purposes of the Constitution (therefore requiring publication). The CPRs also requires that the Chief Procurement Officer should be informed when waivers are approved by Chief Officers.
- 4.4.2 PPPU issued updated CPRs in August 2016. PPPU maintain a log of waivers of CPRs. Appendix 1 shows the high level analysis of the use of waivers. Appendix 2a is an analysis by directorate for the 86 waivers of **CPRs 8.1 and 8.2 and 9.1 and 9.2** in the period April 2016 to February 2017. Appendix 2b shows the detail behind each waiver. Appendix 3 details 20 waivers which were not published to the Decision Register, but which were identified via the data transparency check and challenge process.
- 4.4.3 The PMO will continue to monitor the use of waivers and will provide Scrutiny Board with a further analysis of 2016/2017 at the end of Quarter 1, 2017.

#### 4.5 **Participation in the Core Business Systems Review**

- 4.5.1 The PMO have been working with the CBSR on the Procure to Pay Review. The PMO have identified a sample of suppliers who may wish to take part in an Early Payment Scheme (EPS) whereby the council would receive a discount in exchange for paying an invoice earlier than standard terms. The PMO will operate a pilot scheme to pay selected suppliers earlier as part of a trial to support the Business Support Centre with this initiative.
- 4.5.2 The CBSR is looking at better management information as part of the Procure to Pay Review. The changes made to the feeder systems allow

better transparency of expenditure on individual contracts.

## **5 Corporate Considerations**

### **5.1 Consultation and Engagement**

Previous reports to this Scrutiny Board have detailed the extensive consultation and engagement undertaken under the Effective Procurement Programme.

### **5.2 Equality and Diversity/Cohesion and Integration**

The Effective Procurement Programme includes equality issues as one of its workstreams and has undertaken a formal screening, which was published alongside the 24 April 2013 Executive Board report. The screening highlighted the importance of screening categories and procurements for their equality impacts and responding accordingly in line with the council's equality and diversity policies. There have been no major changes at a policy level. Contracts Procedure Rules require consideration of equality matters when undertaking procurements and the key template documents that Contracts Procedure Rules refer to provide specific prompts in this respect.

### **5.3 Council policies and City Priorities**

Contracts Procedure Rules and the Effective Procurement documentation support the council value of 'spending money wisely', and seek to ensure that the council's other values are embedded in all of the council's procurement activities.

### **5.4 Resources and value for money**

This report outlines ongoing work within PPPU to ensure the council is spending money wisely. Due to the changes made to the feeder systems that now allow contract references to be incorporated, spend can now be matched to contracts without manual intervention. This will release PMO staff time to focus on the detail of off and non-contract spend to ensure money is spent wisely and to protect the council from any legal challenges. The PMO will have capacity to review non-compliant orders under £5k as an area of additional focus and share this information with Directorates. Estimated value of contracts can also be monitored against actual spend due to the improved business information as a result of the CBSR improvements. Information regarding spend against contracts can be produced and shared with Directorates to highlight any potential risks.

### **5.5 Legal Implications, Access to Information and Call In**

None.

### **5.6 Risk Management**

Monthly on/off contract spend is shared with category teams, Directorates and Internal Audit. Tools are in place to support the activities covered in this report.

## **6 Conclusions**

- 6.1 Directorates are accountable for their own procurement activity with support provided by PPPU.
- 6.2 PMO collaboration with the CBSR team in relation to feeder systems has increased visibility of spend and this will improve contract management information and reduce the risk of legal challenge.
- 6.3 The analysis of the use of waivers for CPRS 8.1 and 8.2 and 9.1 and 9.2 shows that for the financial year 2015/2016 there were 102 waivers identified. From April 2016 to February 2017 there were 86 waivers published, with a further 20 identified which were not published. Details of the unpublished waivers have been forwarded to Corporate Governance who maintain the Delegated Decisions Register. The full year waiver analysis for 2016/2017 will be supplied to Scrutiny to provide trend information which will be used to measure compliance with CPRs and identify any issues.
- 6.4 Members of Scrutiny Board (Strategy and Resources) are asked to note the contents of this report, and to comment on any areas where they would wish the PMO to focus on.

## **7 Background documents<sup>3</sup>**

None used.

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<sup>3</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.