



Report of the Chief Officer PPPU

Report to Scrutiny Board (Strategy and Resources)

Date: 21st December 2017

Subject: Effective Procurement

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| 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"/> |
| 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 support from the Projects, Programmes and Procurement Unit (PPPU) to the commissioning activity by the Council. The report covers:

- a) An update on PPPU's access to council feeder systems following the intervention of the Scrutiny Board (See section 4.1)
- b) Improvements to the council's financial management system (FMS) to reduce off contract spend and improve reporting functions (See section 4.2)
- c) Ongoing work to reduce non-contract spend (See section 4.3)
- d) An analysis of the use of Waivers of the Contracts Procedure Rules (CPRs) April 2017 to December 2017. (See section 4.4)
- e) Social Value Outcomes (See section 4.5)
- f) Early payment discount. (See section 4.6)

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 ¹off and ²non-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 2017/18.
- 2.4 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, 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.

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

² 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

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, have been working with colleagues across the Directorates to make improvements to the feeder systems, to gain visibility of expenditure:

- The Adult Social Care, Change Advisory Board (CAB) approved system changes in February 2017 to allow a contract reference field to be made available within the CIS system. This will allow PMO to match spend against contracts. This was subsequently put on hold due to priorities within Adult Social Care. The change is currently being undertaken and should be implemented in the near future.
- The Total R (Repairs system) used by Leeds Building Services (LBS) has also been amended in April 2017 to include a contract reference in the description field. This change hasn't had the required result and needs further collaboration between LBS and PMO to identify a workable solution.
- The Orchard system (used for repairs to housing stock), the PS-Team system (Certificate Payments for building contractors), and the Translate system are all now matched automatically and the contract information is transparent and can be allocated to the relevant contract.

4.2 Improvements to FMS

4.2.1 It has been recognised generally within the council that there is a need to provide FMS users, specifically those raising orders with more training to improve performance. The training focuses on contract compliance and how to raise an order. PMO team are currently receiving large volume of queries in the form of e-mails and telephone calls. The training is aiming to alleviate both directorate and PMO queries, increase awareness of CPR's and reduce the cost of producing a Purchase Order. So far to date PMO have issued the training to 200 officers and have a further 200 scheduled to attend training before the end of January 2018. The benefits of this training has already been seen with an improvement to compliance and significant reduction in the amount of queries received.

4.2.2 PMO staff are currently undertaking an exercise to classify suppliers within FMS to easily identify whether they are Local or SME's. The benefit of this is that reporting around these classifications is currently manual and timely. When the information is held on the system it will reduce reporting time and add clarity to the system.

4.3 **Non and off-contract Spend**

- 4.3.1 As reported above, the PMO 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 none and off-contract spend.
- 4.3.2 A new contract expenditure analysis is being distributed at Directorate and service level so that expenditure by directorates with suppliers who do not hold a contract is visible and action can be identified and undertaken. This report gives an overview to Directorates whether expenditure is compliant with CPR's. Collaboration with Directorates using the report can work toward eliminating non-compliance and ensure best value is achieved from council expenditure.
- 4.3.3 Copies of the Contract Register and the list of ISPs are now live on Insite and are updated monthly. This gives visibility and raises awareness of active contracts and internal services available without having to have FMS access.
- 4.3.4 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 currently being developed by the Business Support Centre. 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.
- 4.3.5 The PMO has created an interactive tutorial providing a step-by-step guide to running low impact procurements (under £100k). This breaks the tender process into nine easy to follow steps. This will make it easier for Directorates to raise procurements through YORtender. Telephone support is also currently available through the PMO for this process. 50 people within Children's and Families have been identified to receive this training.
- 4.3.6 In order to further improve the take up of using YORtender for low value procurements a 'Quick Quotes' system is being developed for price only tenders. This will provide a simple two-step process that would be facilitated by a standard template for suppliers. This will hopefully make the process of low value procurements easier to undertake and improve compliance with CPR's. The process is currently being reviewed by PPPU Commercial and Category teams to ensure the documentation and the process complies with legislation and council policies.

- 4.3.7 PMO staff are exploring the possibility of using the YORtender contract management module. This module could aid contract managers around the council, giving notification on contract review, renewal and also specific KPI information.
- 4.3.8 PMO staff have been actively focusing on the orders raised for low value items (under £5k) as a previously reported action. PMO staff have been challenging expenditure where there is a known contract with a supplier that has not been used and also where CPR's have not been visibly followed and following this up with advice and guidance on the correct process to follow. The result of this has raised awareness throughout the council and encouraged officers to ensure value for money is being sought.
- 4.3.9 In January 2017 it was reported to Scrutiny board that the on contract orders in FMS accounted for **95.7%** of orders placed. The latest figure for 2018 year to date (November 2017) is **96.3%** of orders are on contract or compliant with CPR's. This is the third year in a row that the on contract % has improved and reflects the work undertaken by PMO staff to identify and provide corrective training where necessary.

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 2 is an analysis by directorate for the 90 waivers of **CPRs 8.1 and 8.2 and 9.1 and 9.2** in the period April 2017 to November 2017. Appendix 3 details 2 waivers which were not published to the Decision Register, but which were identified via the data transparency check and challenge Members also receive an annual report in relation to employment and skills outputs from procurement activity and planning agreements

4.5 **Social Value Outcomes**

- 4.5.1 Social Value outcomes from procurement are monitored by the Council around some key areas of activity as follows.
- 4.5.2 Spend with local suppliers is monitored and reported to Executive Board on a quarterly basis as an annex to the Chief Financial Officer's financial health report. The last report highlighted that **48.06%** of orders raised were to local suppliers. Local supplier expenditure in 2016/17 equated to

46.31% of total expenditure and from 2017 to date it stands at **48.24%** of total expenditure.

- 4.5.3 Orders placed with SMEs in 16/17 made up **55.86%** of total expenditure.
- 4.5.4 From 2014 onwards projects commissioned through the Learning Places Programme have either used the YORbuild framework or existing Leeds Local Education Partnership (LLEP) arrangements. This has created a number of benefits such as the creation of **72 new and existing apprentice positions** and **102 new employment positions** for local people in Leeds. These schemes have also **recycled or reused 99%** of waste generated during the construction process with **only 1%** being diverted to land fill. This is in addition to delivering the required number of school places for Leeds.
- 4.5.5 Members also receive an annual report in relation to employment and skills outputs from procurement activity and planning agreements;
- 4.5.6 Looking forward, we are working with the Council's Employment and Skills section to establish a Dynamic Purchasing System (DPS) which is to be divided into categories thereby opening up opportunities to smaller, local organisations as well a new entrants to the market. In addition the Education and Skills Funding Agency (ESFA) pound plus initiative, and the Leeds strategy to add value to ESFA funded activity, will be reflected in future commissioning of DPS category 3 "Ofsted Regulated Adult Learning" such as the mini-competition for call-off contracts for next AY 18-19 and aligned to Council priorities at that time.
- 4.5.7 In addition, following the introduction of Social Value Act (2012) Leeds has developed its own Social Value Framework and commissioning guidelines. These have been discussed at Third Sector Partnership and at the People's Commissioning Strategic Group. An opportunity exists to identify a short list of social value outcomes that we would like to see reflected in procurement activity in the future. This would enable us to focus our commissioning activity on a discrete list of social value outcomes and develop a city wide picture of what impact this work will make towards achieving city priorities. Further discussion is needed to confirm which outcomes should be chosen and how these should be evaluated through tenders and monitored through contract management.
- 4.5.8 Anchor institutions make a significant contribution to the local economy through the services they provide, the large amount of money they spend and the number of local people they employ. A collaborative and systematic approach to engaging with anchors on an innovative framework for collective action to support action on employment, low pay, procurement and supply chain management is in development. The Council and the West Yorkshire Combined Authority, supported by the Joseph Roundtree Foundation under the More Jobs Better Jobs partnership are developing the metrics to quantify and give profile to the contribution they will make to the city's Inclusive Growth Strategy and the West Yorkshire Combined Authority's Inclusive Growth Programme.

4.5.9 Monitoring of wider social value outcomes is, however, currently limited although it is anticipated that this function may well come under the umbrella of the Projects, Programmes and Procurement Unit in the future once the current restructure is complete.

4.6 Early Payment Scheme

4.6.1 The PMO have been working with Directorates on an Early Payment Scheme (EPS) whereby the council would receive a discount in exchange for paying an invoice earlier than standard terms. The PMO have identified a sample of suppliers who may wish to take part in an Early Payment Scheme and are in the process of 'on-boarding' other suppliers who would be prepared to be part of the scheme. The PMO are currently operating a pilot scheme and are paying two suppliers earlier in return for discount. The two suppliers are currently forecast to generate £50k of discount per year. PPPU have updated the tender documents to give suppliers the opportunity to offer a payment discount at the contract award stage.

4.6.2 Subject to other priorities work is ongoing with colleagues in BSC DIS and Corporate Finance to establish a means of expanding this small initiative into a wider pilot before a wider roll out could be considered. Scrutiny may wish to consider inviting a further follow up report on this particular initiative in 3 to 6 months' time.

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 work streams 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. PMO staff have been committed to improving compliance and ensuring the order raising process is more efficient. This will improve the councils cost per purchase order raised. By giving FMS training and by challenging non-compliant orders PMO is ensuring that the council is getting value for money. The Early payment scheme is generating £50k per annum so far and it is envisaged that this will increase as the focus on the scheme increases.

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.

5.7 **Future activity**

The future promotion of social value within procurement and commissioning will include the following:

- consolidation and embedding of the new social value framework
- better measuring and reporting of social value outcomes – requirement to record and capture in procurement strategy and award reports
- greater consideration of supply chain engagement and retention. This is particularly important where large-scale frameworks are procured to promote lower volume pricing
- more consideration of 'easy-wins' in procurement, such as using contractors to raise awareness in the workplace of initiatives around tackling domestic violence, child-friendly Leeds and being a dementia-friendly organisation etc.

6 Conclusions

6.1 Directorates are accountable for their own procurement activity with support provided by PPPU.

6.2 PMO continued work 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 2016/17 there were 104 waivers identified. From April 2017 to November 2017 there were 90 waivers published, with a further 2 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 2017/2018 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 documents³

7.5 Previous report to Strategy and Resources Scrutiny Board, March 2017.

³ 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.

Appendix 1

Analysis of the 90 Waivers of CPRs in the period April 2017 to November 2017

There were 90 waivers of CPRs by directorates in 2017/2018. Of these, the largest use of waivers was by Communities and Environments accounting for 30 of the 90 (33%).

Of the total of 90 waivers of CPRs during the last financial year, 24 of these (27%) were to remain with an existing contractor.

Nine waivers (13%) did not have a value stated. It is important to have a value stated to ensure that if the contract exceeds the current EU threshold of £172,514 that Public Contracts Regulations are adhered to. Three waivers (4%) did not have a contractor stated.

CPRs 8.1 and 8.2

There were 67 waivers of CPRs 8.1 and 8.2 by directorates and of these, 24 (36%) were for Communities and Environments.

CPRs 9.1 and 9.2

There were 20 waivers of CPRs 9.1 and 9.2, and of these 7 (40%) were for Children's and Families.

YORtender Contract entries

A waiver of CPRs 8.1 and 8.2 and 9.1 and 9.2 should be accompanied by a contract entry on YORtender, the Council's electronic tendering system which creates the public facing contract register. This is a requirement of data transparency legislation. Of the 90 waivers of CPRs, only 4 (5%) could be identified on YORtender. All Council contracts should be logged on YORtender.