

Report of Chief Officer PPPU

Report to Corporate Governance and Audit Committee

Date: 16th March 2018

Subject: Procurement Assurance Report

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

Following a request by the Corporate Governance and Audit Committee, this report provides information and assurance on procurement policies and practices within the remit of the Chief Officer Projects Programmes and Procurement Unit (**PPPU**).

Each Directorate is accountable for the procurements that they need to secure the outcomes they are responsible for. The PPPU is accountable for provision of professional support to complex procurement activity. From the review, assessment and on-going monitoring carried out, the Chief Officer PPPU has reached the opinion that procurement policies and practices are up to date, fit for purpose, and effectively communicated. The Procurement Strategy itself is currently in the process of being updated, and will be refreshed during 2018/19, along with the current Contract Procedure Rules (C.P.R's).

There have been no formal procurement challenges. However, while on-contract spend remains strong and whilst there is general compliance with procurement policies, both off-contract/non-contract spend and waivers of the Council's Contracts Procedure Rules in order to directly award contracts have increased marginally, compared to 2016/17.

Recommendations

Members are requested to consider and note the assurances provided in this report.

1 Purpose of this report

- 1.1 This is the annual report of the Chief Officer PPPU to the committee, concerning the Council's procurement function.
- 1.2 Members are asked to consider the ongoing work to maintain effective procurement support tools and guidance, and note the assurance offered by the Chief Officer PPPU.

2 Background information

- 2.1 The Council procures a very wide range of goods, works and services, including front-line services and back-office support. The Council's spend with third parties through procurement and commissioned activity, whilst reducing due to external factors, remains close to £800m per annum.
- 2.2 Contracts Procedure Rules (**CPRs**) form part of the Council's Constitution and are required to be adopted by local government legislation. These are supported by a suite of documents accessible by commissioners on InSite.
- 2.3 Each Directorate is accountable for the procurements that they need to secure the outcomes they are responsible for. The PPPU is accountable for provision of professional advice and support to complex procurement activity. Support provided by the Unit includes procurement processes and compliance with procurement legislation, identifying and working with services to reduce off-contract spend, procurement savings, and general check and challenge.
- 2.4 The Council's Procurement Strategy currently provides for a category management approach to procurement. It also advocates a whole lifecycle approach, defines clear roles and responsibilities, and provides a suite of documentation which can be tailored proportionately to the risks and value of procurement activity.
- 2.5 This report reflects procurement activity during 2017/18.

3 Main issues

Procurement activity during 2017/18

- 3.1 The PPPU's resources are prioritised to supporting high value and/or complex (from a risk perspective) activity.

Support for Low Value Procurements:

- 3.2 To enable this PPPU is developing an e-learning procurement training module for council staff through the Performance and Learning (PAL) system in order to support procurements with a value of £100k or less and in the use of "non-complex" procurement documentation which has been developed for use on these procurements. The module will give guidance and training for staff council-wide to comply with policy, governance and CPRs when ordering goods and services.

- 3.3 PPPU 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. Telephone support is also currently available through the PPPU to support this process, and where non-standard terms and conditions are proposed, these are always required to be vetted through the commercial team within PPPU.
- 3.4 Other initiatives being developed/considered in order to further improve the process for low value procurements are:
- 3.4.1 a 'Quick Quotes' system for price only tenders which will provide a simple two-step process that would be facilitated by a standard template for suppliers. Simplifying the process of low value procurements ought to improve compliance with CPR's;
- 3.4.2 using the YORtender contract management module to aid contract managers around the Council, giving notification on contract review, renewal and also specific KPI information;
- 3.4.3 an interactive tutorial for running a Dynamic Purchasing System (**DPS**). A DPS is a flexible framework contract that allows the addition of new suppliers should they meet key criteria set and reviewed throughout the life of the contract. The new system is designed to keep levels of competition high and deliver best value procurements;
- 3.4.4 an interactive tutorial for recording waivers and the results of the three quote exercises in YORtender to comply with CPR's and Data Transparency legislation.

Regional Procurement

- 3.5 The Council meets other regional authorities through a Strategic Procurement Group which meets every six weeks to share best practice, act as the voice of the region on national procurement issues, and promote collaboration opportunities. The Council administers the Strategic Procurement Group and reports periodically to the Yorkshire and Humber Chief Executives Group.

Social Value

- 3.6 Social Value has been a key theme in procurement activities in recent years. Social Value outcomes from procurement are monitored by the Council around some key areas of activity, including:
- 3.6.1 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 **48.8%** of orders raised were to local suppliers. Local supplier expenditure in 2017/18 to date it stands at **46.87%** of total expenditure (compared to **46.31%** in 2016/17);
- 3.6.2 Orders placed with SMEs in 2017/18 made up over half of the total expenditure (50.09%);

- 3.6.3 Since 2014 the Learning Places Programme (delivering school places) has created **72 new and existing apprentice positions** and **102 new employment positions** for local people in Leeds. They have also **recycled or reused 99%** of waste generated during the construction process with **only 1%** being diverted to land fill.
- 3.6.4 Members also receive an annual report in relation to employment and skills outputs from procurement activity and planning agreements.
- 3.7 Monitoring of wider social value outcomes is anticipated to increase as the Social Value Framework is adopted (see below).

Early Payment and other savings initiatives

- 3.8 PPPU has been working with Directorates on an Early Payment Scheme (**EPS**) whereby the Council could receive a discount in exchange for paying an invoice earlier than standard terms. A sample of suppliers who may wish to take part in an EPS were identified and two suppliers are currently taking part in a pilot scheme.
- 3.9 Work is ongoing with colleagues in BSC DIS and Corporate Finance to establish a means of expanding this small initiative into a wider roll out of the EPS scheme in 2018/19, and to be reported on in due course. PPPU continues to look for other savings through collaboration, and within individual procurements.

Contracts Procedure Rules

- 3.10 Section 135 of the Local Government Act 1972 requires local authorities to make standing orders for procurement activity, including securing competition and regulating tenders. Contracts Procedure Rules form part of the Council's Constitution
- 3.11 Contracts Procedure Rules are regularly updated to reflect changes in legislation and Council policy, and a further review is currently in progress.

Procurement Strategy

- 3.12 The Council's Procurement Strategy was last updated in 2015 but is now due for a complete review. This will take place during 2018/19.
- 3.13 At the core of the Strategy is a category management and whole life-cycle approach, which fits with the National Procurement Strategy 2014. The Council's Procurement Strategy already contained most of the recommendations within the later National Procurement Strategy, within the themes of Making Savings, Supporting Local Economies, Leadership, and Modernising Procurement (including a more commercial approach to the commissioning cycle). In line with recent Internal Audit reports, however it is considered appropriate to review the current reliance upon the Category Management Methodology when the Procurement Strategy is refreshed.

Procurement tools and documents

- 3.14 Appendix 1 contains a list of the key procurement documents and tools. The delivery documents are refreshed regularly to reflect legislation and council policy (e.g. the EPS scheme – see paragraph 3.8).
- 3.15 Of particular significance is the ongoing development (in consultation with third sector representative and the People's Commissioning Strategic Group) of a Social Value Framework which is a toolkit to support implementation within procurement activity of the Social Value Charter. In addition we are:
 - 3.15.1 working with Employment and Skills to establish a DPS (see above) which is to be divided into categories thereby opening up opportunities to smaller, local organisations as well as new entrants to the market; and
 - 3.15.2 developing a collaborative and systematic approach to engaging with “anchor” institutions 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 Rowntree 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.

Communicating the Strategy and procurement policies

- 3.16 As well as the training and tutorials identified at paragraphs 3.2 to 3.4, each Category team within PPPU works closely with commissioning staff within directorates to ensure compliance with CPRs and use of the correct documentation and governance processes.
- 3.17 In addition, the Procurement Strategy and supporting tools are contained within seven InSite toolkits dedicated to procurement and category management which are updated when changes are made, with key changes being further communicated on the InSite carousel.
- 3.18 Within PPPU, a Procurement Practitioner Group meets on a monthly basis to share issues and best practice, and training sessions are organised for procurement staff and commissioners when new significant policy changes are implemented. The number of staff who are CIPS qualified (Chartered Institute of Procurement and Supply) is increasing, and PPPU is looking to increase the number of staff taking the CIPS diploma in the upcoming financial year.
- 3.19 PPPU also hosts the Council-wide Commissioners' Procurement Group (formerly Corporate Commissioner Group) and is a member of the People's Commissioning Group, which provide updates and share best practice between procurement staff and commissioners, and also reviews and provides feedback on the procurement documentation.

YORtender procurement portal and data transparency

- 3.20 The Council (along with other Y&H regional authorities) has used YORtender as its procurement portal, enabling electronic tendering for the vast majority of procured spend. The Council has taken over the regional contract management for YORtender for the remaining three years of the contract and will be leading on the re-procurement of the system for the region.
- 3.21 CPRs require all spend over £10k to be registered through YORtender.
- 3.22 Under the Government's Transparency Code local authorities must publish details (including a unique reference, a description of the goods/services/works and dates for review) of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000. This requirement is complied with through publication through the YORtender portal for Spend of over £10,000 and by manual analysis of any spend exceeding £5,000 within FMS.
- 3.23 Local authorities must also publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. The Council's Contracts Register published on the Data Mill fulfils this requirement.

Monitoring Contracts Procedure Rules

- 3.24 CPRs require Chief Officers to involve and/or consult with the Chief Officer PPPU for specified procurement activity, and also requires the Chief Officer to be informed of the following activity: waivers, extensions, variations of high value contracts, where the template procurement plan or contract management plan is not to be used, breaches of CPRs and where ISPs (internal service providers) are not used. Members should note the requirement to be consulted and provide advice. The Chief Procurement Officer PPPU is not required to authorise specified procurement activities unless such activity relates to matters within their remit. Members should further note that aside from monitoring of non and off contract spend and waiver activity, current resources do not permit additional significant monitoring of compliance, however the contract award process for contracts above £100k, internal audit reports and the ongoing training and support provided to directorates (see above) offer further assurance around compliance.
- 3.25 The CPRs are currently under review and in a process of consultation.
- 3.26 CPRs allow certain rules to be waived in circumstances where Chief Officers consider that course of action to be justified, provided that the Chief Officer PPPU is informed when waivers are approved by Chief Officers, and that such waiver decisions are published as Significant Operational Decisions.
- 3.27 A log of waivers of CPRs is maintained for reporting purposes by officers within PPPU although it remains the responsibility of Directors and/or Chief Officers to action individual waivers where considered necessary. In summary, there have been a total of 90 waivers of CPRs 8.1 and 8.2 and 9.1 and 9.2 in 2017/18 to date. This is a slight increase on the 86 waivers in 2016/17 and issues remain as to the justification in some reports considering waivers.

- 3.28 A breakdown of waiver use-age by Directorate and value is contained at Appendix 2 to this report.
- 3.29 Following an update on waiver usage to Scrutiny Board (Strategy and Resources) in December 2017 the following actions points were agreed;
- Audit of waivers to be implemented – see Internal Audit Plan 2018/19.
 - A meeting to be scheduled with Corporate Governance to discuss the use of waivers at Directorate level to ensure compliance in line with CPR's.
- 3.30 Monitoring of the use of waivers will continue, and be reported to Scrutiny Board.
- 3.31 Internal Audit also carry out audit activity on a small number of specific procurements each year.

On/off contract spend

- 3.32 A quarterly return (which forms an annex to the Chief Finance Officer's financial health monitoring report to Executive Board) provides data in respect of on and off contract spend analysis, spend with SMEs and third sector, and procurement savings activity. The latest report (Q1-3 2017/18) is contained at Appendix 3.
- 3.33 PPPU continues to monitor off contract spend through FMS, actively collaborating with colleagues in the wider council including the Business Support Centre, Corporate Finance and directorates (via their feeder systems) in order to have visibility of non and off-contract spend.
- 3.34 PPPU produces monthly and quarterly reports detailing non and off-contract spend. These reports are used to inform monthly meetings with PPPU Category Managers and their meetings with directorate contacts. The activity has enabled off contract spend to remain at 0.7% of total spend this financial year.
- 3.35 The latest figure for on-contract spend in 2018 to 31st December 2017 is **94.6%** of orders are on contract or compliant with CPR's. This is marginally down from the 2016/17 figure of **95.7%**, but continues to compare extremely favourably to 2014/15 **84.3%** and 2015/16 **89.8%**.
- 3.36 Improvements to FMS
- 3.36.1 It has been recognised 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. PPPU is currently receiving a large volume of queries in the form of e-mails and telephone calls. The training is aiming to alleviate both directorate and PPPU queries, increase awareness of CPR's and reduce the cost of producing a Purchase Order. So far to date training has been issued to 350 officers and a further 50 officers are scheduled to attend training before the end of February 2018. The benefits of this training has already been seen with an improvement to compliance and significant reduction in the amount of queries received.

- 3.36.2 PPPU is also 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.
- 3.36.3 PPPU has been working with colleagues across directorates to make improvements to the FMS 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 allows PPPU 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.
 - Leeds Building Services (**LBS**) and PPPU are working to incorporate a workable solution to contract referencing in LBS' Total R (Repairs system).
 - 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 allocated to the relevant contract.
- 3.36.4 As reported above, PPPU has 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. 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.

Challenges to procurement activity

- 3.37 There have been a number of requests for additional information in response to standstill letters however none of those requests have developed into formal proceedings challenging decisions by the Council on award of contracts.

Brexit

- 3.38 This is being kept under review. There are no current implications.

FOI requests

- 3.39 PPPU continues to receive increasing numbers of FOI requests, with 73 received in 2017/18 to date. Many of the requests relate to information available on Leeds Data Mill (see above).

4 Corporate Considerations

Consultation and Engagement

- 4.1 Reviews of procurement documentation involve consultation with users in the services. The annual CPR review involves wider consultation involving commissioners, and the City Solicitor. Third sector representatives are periodically asked whether any barriers exist to small/third sector organisations, and any comments are fed into the document reviews. Third sector representatives and the People's Commissioning Strategic Group have been consulted in respect of the Social Value Framework.

Equality and Diversity / Cohesion and Integration

- 4.2 There are no implications for this report. The procurement processes require consideration of equality matters and social value within procurement activity

Council policies and Best Council Plan

- 4.3 Effective procurement activity supports the Council's ambitions of a strong economy and a compassionate city. Individual procurements support most/all of the Council's priorities and breakthrough projects.

Resources and value for money

- 4.4 The Chief Officer PPPU considers that the systems and processes in place continue to represent an appropriate use of resources and are good value for money. Additionally the procurement activity supported enables both cashable and non-cashable savings to be made in the commissioning lifecycle.

Legal Implications, Access to Information and Call In

- 4.5 The Chief Officer PPPU is satisfied that the arrangements put in place through the Procurement Strategy, CPRs and procurement tools and documentation meet all legal requirements.
- 4.6 This report is not eligible for call-in

Risk Management

- 4.7 The Chief Officer PPPU gives assurance that the systems and processes that form part of the Council's procurement framework are currently functioning well. One of the Strategy and Resources Directorate risks relates to risk of procurement challenge. As set out above there have been no formal challenges to procurement activity in the year to date, and work is continuing to ensure the tender guidance is embedded through training and monitoring.

5 Conclusions

- 5.1 From the review, assessment and ongoing monitoring carried out the Chief Officer PPPU has reached the opinion that, overall, systems are operating effectively and that there are no fundamental control weaknesses. At the same it is recognised that Procurement Assurance needs to be subject to regular review and assessment with the following actions already identified for 2018/19;

- Update and refresh of the Procurement Strategy, including a review of the reliance upon the current Category Management Methodology
- Review of CPR's in line with changes in legislation and Council policy.

Compliance remains an issue in some areas, notably around justification in reports considering waivers.

6 Recommendations

- 6.1 Members are requested to consider and note the assurances provided in this report.

7 Background documents¹

- 7.1 None

¹ 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.

Procurement strategy (the council's procurement policy)				
Contracts procedure rules (the council's procurement rules for any stage in your procurement, including when you are not undertaking a competitive tender)		Assurance guide (a guide to help you navigate decision making, documents, consultation and quality assurance at any stage in your procurement)		
Planning documents (tools to help you consider and record all key issues before you get underway) Annual review notes Exit plan End of contract report Category plan communications plan (PM lite) Procurement scoping notes Procurement plan Contract management plan TUPE Union protocol		Delivery documents (tools to help you consider and use appropriate tender and contract documents) Pre-qualification questionnaire (PQQ) Below threshold suitability assessment guidance Part 1 – Tender instructions including: Tender schedule Pricing schedule Part 2 – Specification Part 3 – Contract terms and conditions Financials Tender evaluation guidance Tender evaluation methodology Tender evaluation scoresheet booklet		
Workshop packs and guidance (tools to help you look at some key policy areas at any stage in your procurement)				
<u>Social</u> Social responsibility including community benefits, social value and social capital Ethical and fair-trade Employment and skills Health and wellbeing Equality and diversity <u>Environment</u> Environment		<u>Economic</u> Third sector Small and Medium Enterprises (SMEs) Supported businesses Models of delivery		<u>Management</u> Communications: <ul style="list-style-type: none">• stakeholders• members involvement• staff and trade unions• providers Locality working Risk Lessons Benefits Options appraisal Market analysis Contract management
Templates and memos (key templates and memos to be used on your procurement)				
Contract award memo	Contract extension memo	Tender report	Waiver report template	Letters
Attachments (tools to help you log and track key issues at any stage on your procurement)				
Benefits realisation plan (PM lite)	Lessons log (PM lite)	Risk register (PM lite)	Issues log (PM lite)	Checklists
Management information – contracts awarded, procurement calendar, waivers, savings, supplier information (local, SME, third sector, Internal Service Providers), on/off/non-contract spend				

Appendix 2 - Log of the use of Waivers 2017

Year: 2017

Table 1 - Waiver of CPRs (8.1 and 8.2, 9.1 and 9.2)

CPR rule being waived	Directorate						Percentage of total no. of waivers:
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total	
CPR 8.1 and 8.2	6	10	24	19	8	67	74%
CPR 9.1 and 9.2	3	7	5	1	4	20	22%
CPR 9.1/9.2 and 8.1/8.2	1	0	1	0	1	3	3%
Total	10	17	30	20	13	90	100%

Table 2 - Waiver of CPRs (8.1 and 8.2, 9.1 and 9.2) by value *

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	£209,107	£578,164	£489,655	£592,725	£436,064	
CPR 9.1 and 9.2	£960,807	£6,067,000	£484,250	£48,695	£512,000	
CPR 9.1/9.2 and 8.1/8.2	£270,765	0	0	0	£178,000	
Total by Directorate	£1,440,679	£6,645,164	£973,905	£641,420	£1,126,064	£10,827,232

Table 3 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without a value stated

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	0	1	3	3	0	7
CPR 9.1 and 9.2	0	1	2	0	1	4
CPR 9.1/9.2 and 8.1/8.2	0	0	1	0	0	1
Total	0	2	6	3	1	12
% of waivers without a value stated	0%	17%	50%	25%	8%	100%

Table 4 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without a contractor stated

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	0	2	1	0	0	3
CPR 9.1 and 9.2	0	0	0	0	0	0
CPR 9.1/9.2 and 8.1/8.2	0	0	0	0	0	0
Total	0	2	1	0	0	3
% of waivers without a contractor stated	0%	67%	33%	0%	0%	100%

Table 5 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) without contract dates

CPR rule being waived	Directorate					
	Adults and Health	Children and Families	Communities and Environment	City Development	Resources and Housing	Total
CPR 8.1 and 8.2	2	3	19	14	3	41
CPR 9.1 and 9.2	0	1	3	0	3	7
CPR 9.1/9.2 and 8.1/8.2	0	0	1	0	0	1
Total	2	4	23	14	6	49
% of waivers without contract dates	4%	8%	47%	29%	12%	100%

Table 6 - Waivers of CPRs (8.1 and 8.2, 9.1 and 9.2) to remain with existing contractor

CPR rule being waived	Directorate					
	Adults and Health	Children's Services	Communities and Environment	City Development	Environment and Housing	Total
CPR 8.1 and 8.2	1	3	5	1	2	12
CPR 9.1 and 9.2	2	5	1	1	1	10
CPR 9.1/9.2 and 8.1/8.2	1	0	0	0	1	2
Total	4	8	6	2	4	24
% of waivers stating existing contractor	17%	33%	25%	8%	17%	100%

* note these values are based on the 78 waivers that had values stated. A total of 12 waivers were raised with no value stated.

Appendix 3

1. 2017-18 Procurement Report

- 1.1 The Chief Officer for the Projects Programmes and Procurement Unit is required to provide statistical procurement information to Executive Board every quarter. This report provides information in relation to **Q3 of the 2017/18** financial year.

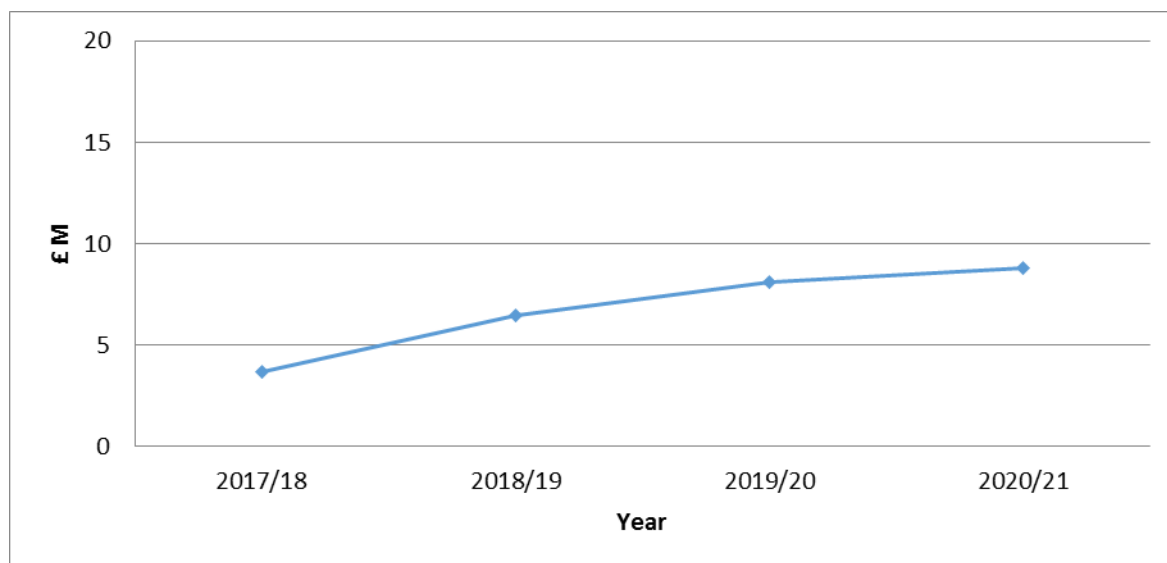
2. Procurement Savings

- 2.1 The delivery of procurements, and in turn procurement savings, are a result of cross-functional working with directorates. The procurement category teams work closely with directorate colleagues to seek to secure procurement and contract efficiencies and to reduce off-contract and non-contract spend. Agreeing and 'capturing' procurement savings, in discussion with directorates, enables budget holders to make informed choices and, where possible, translate identified saving opportunities into 'cashable' savings. The high level forecast savings are detailed below.

Updated December 2017	Prior Years £000s	2017/18 £000s	Future Years £000s	Projected Whole Life Saving £000s
Savings already deducted from previous year's and future budgets *	(19,098)	(3,158)	(5,096)	(27,353)
Additional Projected savings against the 2017/18 budget		(318)		(318)
Total Forecast Savings on Current contracts	(19,098)	(3,476)	(5,096)	(27,671)
*Savings reflect the whole life of the contract and are reflected in the budget for the year the contract is awarded				

- 2.2 Anticipated savings on new procurements for contracts awarded as at 31st December 2017 are £318k.
- 2.3 Forecast savings are based on predicted contract usage and will be updated on a quarterly basis to reflect this.
- 2.4 In addition to the cashable savings identified above, the savings report also identifies cost avoidance or 'non cashable savings', for example whereby having implemented good procurement controls, or contract management, a price increase has been avoided or where the re-procurement of a contract has resulted in 'more for less'. By definition it is difficult to prove these savings as they are not usually quantifiable from a budget perspective. Nevertheless they do demonstrate the value added by effective procurement intervention and add value to the process.

2.5 Graph of Cumulative Procurement savings 2017/18 to 2020/21



3. Orders Placed on the Financial Management System (FMS)

3.1 The following financial information is sourced from an analysis of all orders recorded in the council's main financial system, FMS. On the payments system, each creditor (a body or person to which a payment is made by the council) has an indicator on their record which allocates them to a category. Such categories include private companies, commercial individuals (sole traders), other public sector bodies, and the third sector. The classification of organisations is carried out by colleagues in corporate finance with typically several hundred new creditor organisations allocated to a category each month.

3.2 These figures do not include orders placed through feeder systems, such as Orchard¹, purchasing cards, or payment requisitions where BACS or cheque payments are made through FMS without the Business Support Centre processing an invoice and where therefore there is no associated order.

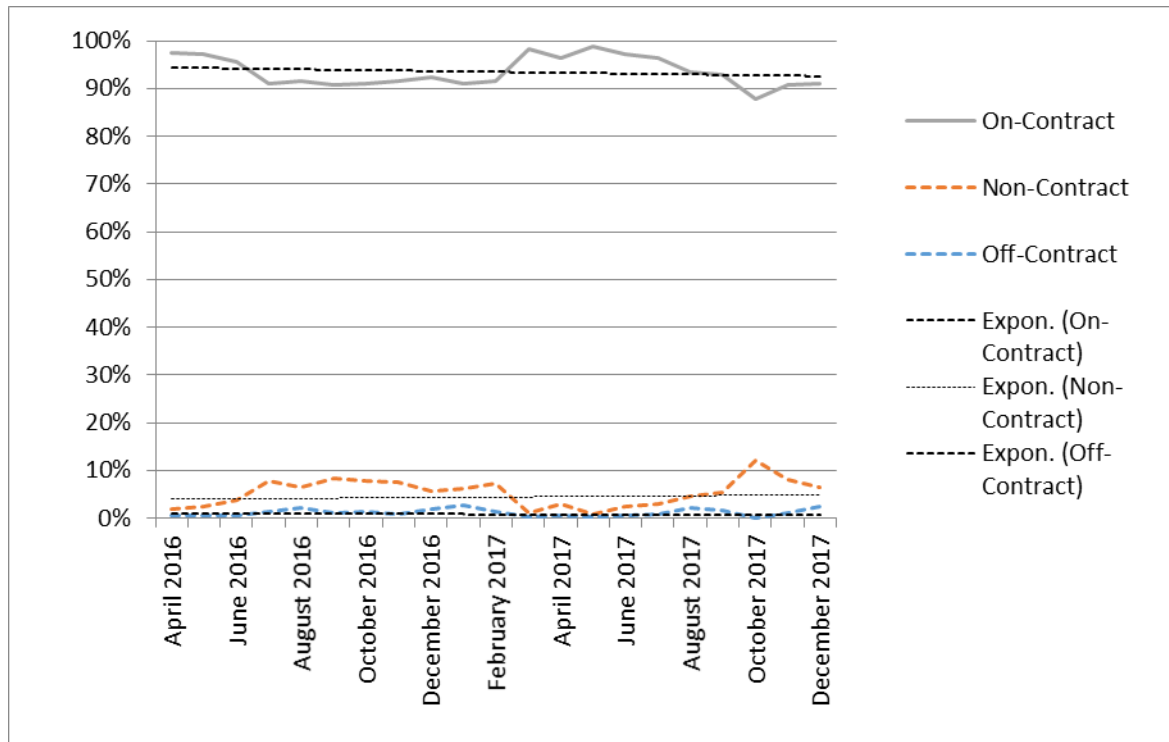
3.3 The table below shows all orders placed in FMS to Q3 2017/18. Data from the corresponding period in 2016/17 is included for comparison.

Classification	Q1-Q3 2016/17			Q1-Q3 2017/18		
	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
On Contract	£229,617,126	12037	70.03%	£194,957,333	15620	71.95%
Non-Contract	£11,843,398	10033	3.61%	£9,428,427	6294	3.48%
On Contract - Quasi	£73,776,648	5471	22.50%	£36,077,011	2401	13.31%
On Contract - Waiver	£3,616,128	497	1.10%	£5,122,402	1413	1.89%
Off-Contract	£2,452,815	1075	0.75%	£2,046,015	496	0.76%
Non-Contract - One off or non-influenceable	£6,573,792	1890	2.00%	£23,323,022	4368	8.61%
Grand Total	£327,879,906	31003	100.00%	£270,954,208	30592	100.00%

¹ Orchard is used by various council functions for dealing with the financial aspects of council owned property, for example to pay contractors for undertaking repairs to the housing stock.

On, off and non-contract orders placed on FMS

3.3.1 The graph below shows the percentage of on, off and non-contract orders placed on FMS from April 2016 to December 2017.



4. Local Suppliers

4.1 Orders placed with local suppliers to **Q3 2017/18** are detailed below. Data from the corresponding period in 2016/17 is included for comparison.

Classification	Q1-Q3 2016/17			Q1-Q3 2017/18		
	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
Local Spend	£169,669,851	13365	51.75%	£132,235,727	13344	48.80%
Non-Local Spend	£158,210,055	17638	48.25%	£138,718,481	17248	51.20%
Grand Total	£327,879,906	31003	100.00%	£270,954,208	30592	100.00%

Suppliers with a Leeds metropolitan area postcode have been included in the above data. These are postcodes LS1 to LS29 plus BD3, BD4, BD10, BD11, WF2, WF3, WF10, WF12, WF17.

Third sector

- 5.1 Orders placed with third sector suppliers to **Q3 2017/18** are detailed below. Data from the corresponding period in 2016/17 is included for comparison.

	Q1-Q3 2016/17			Q1-Q3 2017/18		
Classification	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
Third Sector	£84,193,121	2980	25.68%	£80,518,327	3309	29.72%
Non Third Sector	£243,686,785	28023	74.32%	£190,435,881	27283	70.28%
Grand Total	£327,879,906	31003	100.00%	£270,954,208	30592	100.00%

6. Small and Medium Enterprises (SMEs)

- 6.1 Orders placed with SMEs to **Q3 2017/18** are detailed below. Data from the corresponding period in 2016/17 is included for comparison.

	Q1-Q3 2016/17			Q1-Q3 2017/18		
Classification	Order Value	Number of Orders	% of Total	Order Value	Number of Orders	% of Total
Not an SME	£168,085,091	11777	51.26%	£135,243,748	10545	49.91%
SME	£159,794,816	19226	48.74%	£135,710,460	20047	50.09%
Grand Total	£327,879,906	31003	100.00%	£270,954,208	30592	100.00%

7. Glossary

- 7.1 **On contract** is an order placed with a contracted supplier.
- 7.2 **Non-contract** is an order placed where no contract exists for the goods or service.
- 7.3 **Off contract** is an order placed where there is a contracted supplier but the order raiser uses a different supplier.
- 7.4 **Waivers** are required where the relevant Chief Officer is able to justify a genuine exception to the requirements for competition under Contract Procedure Rules.
- 7.5 **Quasi** contracts are virtual contracts put in place to aggregate spend with a view to evaluating the requirements of a contract.
- 7.6 The Local Government Association defines the third sector as “non-governmental organisations” (NGOs) that are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives.
- 7.7 **Third sector** includes charities, community groups, churches and faith groups, sports and recreational clubs, social enterprises and partnerships and trade unions and associations.
- 7.8 **SMEs** are defined as having a turnover of less than £25.9 million and fewer than 250 employees. This data was collated by using the categorisation selected by the supplier upon registration on YORtender (the council's electronic tendering site) and then verified where possible against data from the Department of Business Innovation and Skills.