

Corporate Governance and Audit Committee

Note of Working Group

Friday 26th June 2020

Procurement Assurance Report – 2019/20

The Head of Commercial in the Procurement and Commercial Services (PACS) presented the Annual Report of the Chief Officer – Financial Services providing information and assurance on procurement policy and practice during 2019/20. Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for; PACS is accountable for provision of professional support to complex procurement activity. Executive Board adopted the Procurement Strategy 2019-2024 in June 2019.

In introducing three key areas, the Committee was also advised of the improvements achieved in engagement with suppliers and in contract management, both of these measures were now embedded in the Contract Procedure Rules.

Good Governance –

- PACS had developed a new toolkit and associated training was available for commissioners
- PACS worked closely with the regional Strategic Procurement Group, taking the regional lead, which included managing the e-portal, regional framework contracts and regional Looked After Children contracts
- In the last year, there had been no formal procurement challenges
- The Faster Payment Service had been introduced with the aim of reducing the costs of invoices paid with 10 days. This had brought £123k in savings

Contract Procedure Rules (CPR's) –

- The reviewed CPR's now include an obligation to address social value CPR 7.1 included an increased threshold of £25k for 'low value commissioning' introduced following consultation with commissioners who identified the process for contracts of £10 to £25k as being onerous

Waivers -

- The reviewed CPR's now include a requirement for Directorates to consult before a decision to waive the CPR's is taken – this change came half way through 19/20, but monitoring showed that 46% of such instances did undertake pre-commissioning consultation before waiver, compared with 18% the previous year.
- 79 waivers had been recorded in 2019/20 compared with 153 waivers the previous year. Of the 79, there were 4 where commissioners failed to engage.
- Aggregate waiver spend = £16.5m, which equates to 2% of total spend.

Social Value –

- In January 2020 the Scrutiny Board endorsed the Social Guidance document for commissioners developed by PACS. This seeks an 'added value' elements to address opportunities for employment & skills, the environment; and education to be considered as part of the commissioning process, plus seeks input from the suppliers on how they can contribute to these issues

- For contracts greater than £50k, there is a 10% minimum weighting on social value as part of the tender process.
- 'Social Value Portal' has been appointed to monitor relevant contracts with 3 dedicated staff providing training to commissioning officers. The Portal measures delivery and provides online reporting
- The TOMS approach is now included to encourage tenderers to consider Themes, Outcomes and Measures
- The Social Value Board has been established with commissioners and chaired by the Director of Resources and Housing to consider how to achieve social value and best practice.

Anti-Slavery/Human Trafficking -

- A questionnaire has been developed and despatched to contractors seeking information on how they comply with the requirements

New Businesses –

- The Department is due to make contact with 588 new and small business in Leeds to advise them of the opportunities of LCC contracts and seek to register them.

Employment & Skills

- During the past 3 years, 387 new jobs/apprenticeships have been created as a direct result of social value contract considerations, compared with 204 in the 3 years prior to that.

In conclusion, the Committee received assurance that, from the review, assessment and on-going monitoring carried out, the Chief Officer – Financial Services had reached the opinion that procurement policies and practices are up to date, fit for purpose, and effectively communicated.

Members of the Committee asked questions and received responses as follows:

Q: Climate change and the climate emergency are key Council priorities. To what extent can we be confident that these are given consideration within the procurement process?

A: There are specific contracts, for example those relating to District Heating and sustainability measures in Council buildings, where the consideration of the climate impact reflects a direct outcome from the contract. For contracts that would not ordinarily have a specific outcome, the sustainability and environmental impact should be incorporated within the social value assessment so that additional outputs can be considered where practicable. Therefore the process requires that it should be considered within all of the contracts that are let. For contracts over £50,000 there is an evaluation weighting for social value which includes environmental and sustainability measures as a lever to encourage contractors to bid with relevant considerations.

Q: Is there the potential for the Committee to receive relevant performance indicators relating to matters that have been important to the Committee? For example monitoring movements in living wage contractors and the use of local suppliers and small and medium enterprises (SME's).

A: Dashboard reports on procurement activity are being discussed with the Chief Finance Officer and we will look to incorporate this information where possible.

Q: Given that procurement is the responsibility of individual departments, how far are we able to audit what commissioners are doing? For example how are we able to establish that they are adhering to the processes that require them to consider social value outcomes?

A: Procurement Category Managers are involved in the higher value procurement processes and provide support to commissioners in enabling them to develop and determine the outputs required. Officers will consider how to monitor to ensure that commissioners are taking these issues into account.

Q: How can we be sure that we are achieving best value for money in the procurement of specialist supplies where the items can often be of a high cost, but there isn't necessarily much of a market place to test for example highways equipment, traffic lights and signals, and CCTV monitoring? What are we doing to improve procurement where small volume and limited suppliers.

A: Procurements that are carried out above the EU threshold values require a transparent and procurement process that goes out to the market, and that competitive process increases assurance that value for money is achieved. We also have access to government framework contracts for specialist equipment that enable us to tap into arrangements that are designed to deliver best value. Officers will look into details in relation to specific highways and CCTV examples and provide information for Members.

Q: It is positive that we plan to reach out directly to local organisations that we do not currently work with, to make them aware of tendering opportunities and offer assistance in registering on the YORtender procurement portal. Do we know if other Local Authorities have carried out this practice?

A: This is something that we have done as we believe that, given the implications of the pandemic, this was a particularly good time to reach out to local suppliers and make them aware of opportunities. We are not aware whether other Local Authorities are doing this.

Q: Why have we chosen to target the issue of the anti-slavery and human trafficking questionnaires directly at suppliers with whom we spend more than £100,000 per annum?

A: This was carried out as these contracts are the ones that we classify as high value procurements within our Contract Procedure Rules, and it enables us to prioritise our resources effectively when reviewing the returns.

Q: When we refer to our expenditure with local suppliers and SME's, does that reflect suppliers that fall into one or both of the sub-sets? For example does this cover local suppliers that are SME's, or local suppliers plus nationally based SME's? Are we able to determine specifically how much we spend with local suppliers?

A: It currently reflects local suppliers plus SME's based both within and outside the region. We will explore ways of reporting specifically on expenditure with locally based suppliers and will provide information to Committee members.

Q: Given that we apply a minimum 10% weighting to social value for all contracts values above £50k, are we able to say how much of our estimated annual £800million procured spend is covered by contracts valued above £50k)

A: This captures around 70% of the total procured expenditure.

Q: Given that the threshold for low value procurements has been increased from £10k to £25k to enable more agile procurement arrangements for lower value expenditure, are we able to confirm what proportion of both procurement exercises and cumulative expenditure is captured within the £10k - 25k bracket?

A: It captures a large volume of individual procurement exercises, however this reflects only 2% of the total value of procured expenditure. Further information will be provided to the Committee on this metric.