

APPENDIX A – PROCUREMENT STATEMENT

1. DEFINE AND DOCUMENT

Contracts Procedure Rules

- 1.1 Section 135 of the Local Government Act 1972 requires local authorities to make standing orders for procurement activity, including securing competition and regulating tenders – the **CPRs**. The CPRs form part of the Council's Constitution.
- 1.2 CPRs are updated and strengthened each year to reflect changes in legislation and Council policy. They are currently under review (anticipated to be completed by April 2024) in order to simplify and make CPRs more user friendly.

Procurement Strategy

- 1.3 The current Procurement Strategy was adopted by Executive Board on the 26th June 2019 and identifies 5 key areas for procurement. It acknowledges value for money and good governance as the foundation stones of procurement, but also highlights the need to improve engagement with our suppliers and contract management, to be more commercial and to focus on social value.
- 1.4 The Procurement Strategy promotes a category management approach to procurement. It also advocates a whole lifecycle approach to contracting, and defines clear roles and responsibilities.
- 1.5 The Procurement Strategy will be reviewed in 2024, including assessment of the current position and delivery of KPIs, review in context of latest national procurement strategy, National Procurement Policy Statement and Procurement Act, stakeholder consultation (including draft to CGAC in November 2024) and Executive Board approval in early-2025.

Roles and responsibilities

- 1.6 Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for.
- 1.7 The Head of Procurement and Commercial Services (delegated from Director of Strategy and Resources) is responsible for setting, supporting and monitoring the Council's policies and procedures for procurement, purchasing and contract management.
- 1.8 Procurement and Commercial Services (**PACS**) provides corporate support and oversight in respect of procurement activity. However, PACS' limited resources are prioritised to supporting high value and complex (from a risk perspective) activity. CPRs require Chief Officers to involve and/or consult with PACS for specified procurement activity, and also require PACS 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 internal service providers are not used.
- 1.9 PACS also provides support in respect of lower value procurements by way of:

1.9.1 an e-learning procurement training module for council staff through the Performance and Learning system which gives guidance and training for staff council-wide on how to comply with policy, governance and CPRs when ordering goods and services;

1.9.2 telephone support; and

1.9.1 where non-standard terms and conditions are proposed, the requirement that these are vetted through the commercial team within PACS.

1.10 PACS also provides pro-active support in relation to ad hoc training and updates relating to changes to procurement processes or regulatory/legal requirement etc, identifying and working with services to reduce off-contract spend, identifying procurement savings opportunities, and providing check and challenge.

Procurement tools and documents

1.11 The key procurement delivery documents and tools are refreshed regularly to reflect legislation and Council policy (e.g. incorporating Social Value provisions). Note that these tools/documents are currently being refreshed under the P2P Review to ensure they are user-friendly. In addition, it is anticipated that further review will be required as a consequence of the new Procurement Act and associated guidance.

1.12 The Council utilises the e-tendering platform YORtender3, in relation to which PACS provides training and support across the Council with on-site training sessions, phone/email conversations and an on-line interactive tutorial.

Communicating the Procurement Strategy and procurement policies

2.1 Each Category team within PACS works closely with commissioning staff within directorates to ensure compliance with CPRs and use of the correct documentation and governance processes. Telephone support is also currently available through PACS. In addition, the Procurement Strategy and toolkits dedicated to procurement and category management (including online training and tutorials, such as in relation to the waiver process and an interactive version of the CPR) are available on InSite. They are regularly updated, and key changes are further communicated on the InSite carousel.

2.3 A cross-council Procurement Practitioner Group meets every 6 weeks to share issues and best practice, and training sessions are organised for procurement staff and commissioners when new significant policy changes (such as the New Procurement Strategy) are implemented. Introductory training is provided to new Members and commissioners.

2.4 A P2P Review steering group meets monthly, and feeds updates to the Core Business Transformation Programme board.

2.5 However, the most recent "Survey of Internal Control" identifies the opportunity to further improve understanding across the Council of procurement policies and

processes, particularly in relation to arrangements for contract management – see sections 3 and 4, below.

3 EFFECTIVELY EMBED

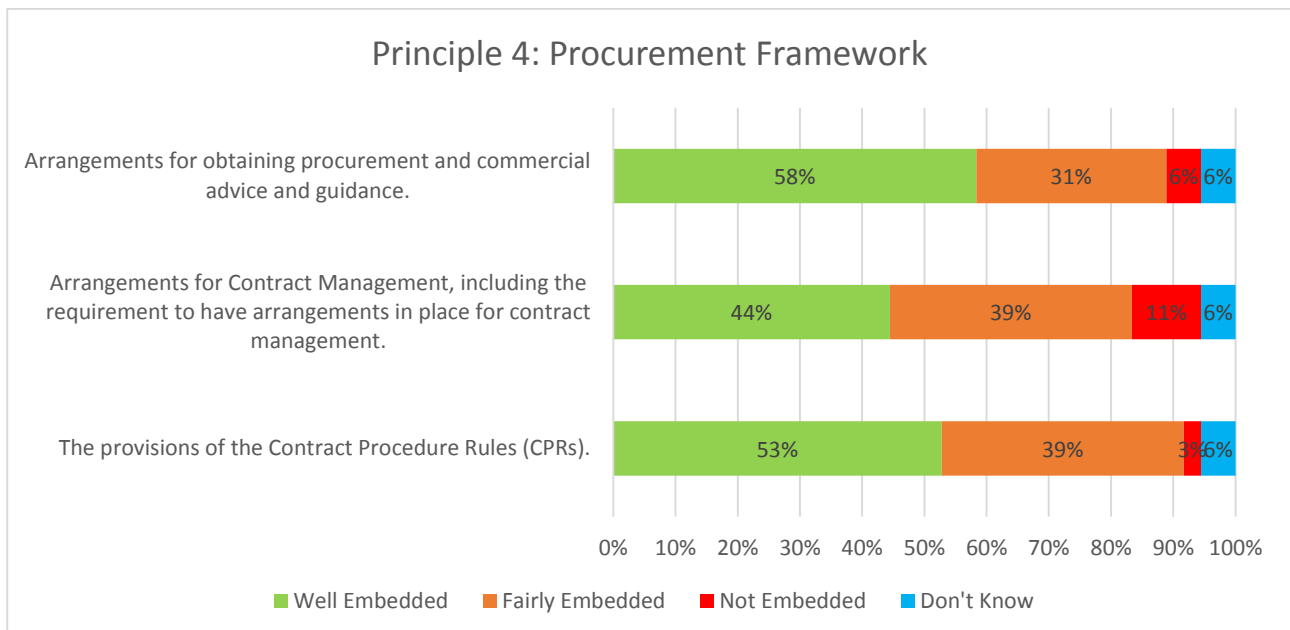
Survey of Internal Control

3.1 The survey of internal control (SIC) is used to gain operational assurance as to whether systems of internal control are embedded and functioning. Considering whether people in their teams have the relevant knowledge and skills, and comply with controls appropriately and proportionately to their individual roles and responsibilities, respondents were asked to indicate whether arrangements are:

- well embedded (green),
- fairly embedded (amber),
- not embedded (red) or
- the respondent does not know (blue).

Questions were asked in relation to Principle 4 of the Local Code of Corporate Governance (Procurement Framework). The chart below sets out responses received to questions asked in relation to:

- arrangements for obtaining procurement and commercial advice and guidance;
- arrangements for contract management;
- the provisions of the CPRs.



Compliance: On-contract Spend

- 3.2 The Council procures a very wide range of goods, works and services, including front-line services and back-office support. External spend in 2022/23 was £1,121,223,464. While this was a c£65m increase on the preceding year, this increase was as a consequence of external spend which the Council is unable to influence (made up mainly of spend by schools). External spend in 2022/23 which was open to competition was identical to 2021/22, at c£879m.
- 3.3 Despite diverting some resource away from compliance toward more value-added activity:
- 3.3.1 PACS 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;
- 3.3.2 PACS also produces monthly and quarterly reports detailing non and off-contract spend. These reports are used to inform monthly meetings between PACS Category Managers and directorate contacts; and
- 3.3.3 Contract expenditure analysis and compliance continues to be distributed at directorate and service level so that expenditure by directorates with suppliers who do not hold a valid contract is visible and action can be identified and undertaken. Collaboration with Directorates using the report has been successful toward continuing to minimise non-compliance and ensuring best value is achieved from Council expenditure. Bespoke reporting is available upon request and utilised as a mechanism to further assist services.
- 3.4 This activity has enabled off contract spend to remain at minimal levels compared to total spend, and ensured general compliance with procurement policies. In 2022/23, 96.03% of payments were on contract or compliant with CPR's. While this is marginally down from 97.11% in the previous year, it is significantly in excess of the sector benchmark of 90% and demonstrates that compliance is well-embedded following hard work over the past 10 years.

Compliance: Waivers

- 3.5 CPRs allow certain rules to be waived in circumstances where relevant Chief Officers consider a course of action to be justified, provided that PACS is consulted before waivers are approved by Chief Officers, and that such waiver decisions are published as Significant Operational Decisions.
- 3.6 Issues relating to the inappropriate use of waivers of CPRs have been the subject of scrutiny by the Committee over many years. However, PACS has supported services to reduce the numbers of waivers each year. In 2022/23, the number of waivers of CPRs reduced to 23, down from 37 in 2021/22. To date only 17 of these contracts have been recorded on YORtender, and services are being chased to ensure full records of all contracts awarded following waiver of CPRs are properly recorded. Aggregate contract value of the 17 contracts recorded on YORtender and which were the subject of waivers of CPRs was £3.4m, equivalent to 0.3% of the total external spend in 2022/23.

Procurement Challenges/Transparency

- 3.7 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.
- 3.8 CPRs require all spend over £10k to be registered through YORtender3. 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 by publication through the YORtender3 portal for spend of over £10,000 and by manual analysis of any spend exceeding £5,000 within FMS. The Council publishes its full Contracts Register on Data Mill North.
- 3.9 PACS also receives and responds to a significant number of procurement related FOI requests each year.

Social Value

- 3.10 Levering additional Social Value from procurement is a key element of the Council's wider aspirations for inclusive growth in conjunction with local communities and businesses.
- 3.11 Expenditure with local suppliers and SME's has been measured for several years, and equates to 63.4% of total expenditure in 2022/23 (63.8% in the previous year). In addition, the Council has also developed a collaborative and systematic approach to engaging with anchor institutions, to discuss ways in which we can work together more closely and actively promote collective action on employment, low pay and social responsibility. The aim is to develop a Leeds-wide set of social value priorities to be utilised by all anchors.
- 3.12 The Council's Social Value Guidance for Commissioners requires consideration of opportunities for additional social value in all the Council's procurement activity, and requires a minimum 10% weighting in order to evaluate any Social Value commitments as part of a tender process.
- 3.13 A Council-specific set of Social Value priorities (themes, outcomes and measures) has been developed (based around: Employment and Skills, the Environment, and Education) to facilitate development/evaluation of Social Value requirements for procurements.
- 3.14 Since 2020, the Council used an external consultant to support delivery of additional Social Value in relation to contracts valued above £100k. However, difficulties were experienced in relation to the consultant's monitoring and ensuring delivery of Social Value commitments, and therefore steps have been taken to in-source all aspects of Social Value activity (including evaluation of SV proposals and monitoring the delivery of commitments). In-sourcing Social Value delivery has also reduced cost to suppliers as consultancy costs of support and monitoring were passed-through to suppliers.

- 3.15 The Council now utilises its own software for recording Social Value related information and the first contracts went live on this new system in Summer 2023. Training has been provided to services in relation to the new process and system.
- 3.16 To date:
- 3.16.1 There are 24 live projects with an aggregate value of c.£58.5m; and
- 3.16.2 Nearly £23m of additional Social Value has been committed in relation to those contracts. Council officers are currently in the process of gathering information in relation to delivery of Social Value commitment in relation to the first quarter of operation.

4 MEANINGFULLY MONITOR

- 4.1 The Council continues to liaise with LGA on procurement issues of national significance, and with other regional authorities via the YORprocure Strategic Procurement Group (**SPG**). The SPG meets every six weeks to share best practice, act as the voice of the region on national procurement issues, and promote collaboration opportunities.
- 4.2 Further regional collaboration and sharing of best practice is undertaken in relation to the White Rose suite of Children's services framework contracts (which PACS manages) and the YORhub suite of regional construction and consultancy framework contracts (in relation to which the Head of PACS is Chair of the partnership board).
- 4.3 Internal audit review/report on a small number of procurements each year, and the ongoing training and support provided to directorates offers further assurance around monitoring of compliance.
- 4.4 Annual procurement related reports are provided to this Committee and (in respect of delivering Social Value and improving contract management) Scrutiny Board.

Procurement Responses to Survey of Internal Control

- 4.5 In addition to the quantitative SIC responses as to how embedded the Council's procurement framework is, the SIC also asked respondents to "say whether there are any weaknesses in the governance arrangements, and how you think they could be improved." Three responses were provided as follows:
- a) "These are well embedded in my service areas. However, corporately CPRs are circumnavigated, contracts are not managed appropriately, and guidance is often not sought."
- b) "It is often difficult to source procurement and commercial advice and guidance or know who to go to for that as people move on. We generally deal in low-value contracts that don't meet the criteria for full procurement support and it would be helpful to have an easy helpline for any queries. With the occasional contract that does require a full package, it is not obvious how to get into the

system and generally requires reinventing the wheel of how to go about it on the rare occasions we do that.”

c) “CPRs too complex; contract management best practice in development.”

5 REVIEW AND REFINE

Procurement Strategy

- 5.1 The Procurement Strategy was adopted in June 2019, and is kept under continual review, with a formal review updated Procurement Strategy scheduled for consultation and implementation in 2024.
- 5.2 Progress in relation to the “procurement enablers” identified in the Procurement Strategy is as follows:
- 5.2.1 developing talent – the Council continues to support staff in obtaining professional procurement qualifications (CIPS), with a strategy of internal training and recruitment. A skills framework is in place and development opportunities identified as part of the appraisal process;
 - 5.2.2 Exploiting digital technology - a number of inefficient manual systems and processes are in operation across the Council, meaning there is a need to repeatedly input data, interpret results and apply manual solutions. Work is underway to assess potential new systems as part of the P2P Review. In addition, the Council has worked collaboratively with other local authorities in the Yorkshire and Humber region in procuring the YORtender 3 e-tendering system. A contract management module on YORtender3 (**CMM**) has subsequently been developed with a view to ensuring the services consider contract management arrangements before contract award, store relevant contract documents centrally and actively manage contracts throughout their lifecycle. The CMM will be reviewed and refined to take account of initial feedback from users;
 - 5.2.3 Enabling innovation – the Council’s procurement processes and procedures (including CPRs) are kept under constant review to increase flexibility and opportunities to innovate (see below). As part of the P2P Review, proposals for allowing increased focus on strategic value from procurement are currently in development and opportunities will be considered for greater innovation as a consequence of the added flexibility under the new Procurement Act;
 - 5.2.4 Embedding change - senior managers are encouraged to recognise the importance of procurement and contract management (including Social Value), and promote it as a way of leading and managing organisational change. PACS is seeking to support services to improve commercial skills, to identify opportunities for achieving savings through procurement activity and to ensure that contracts are effectively managed, to help respond to the Council’s financial challenge.

Constitution and CPRs

- 5.3 The CPRs are subject to an annual review and refresh.
- 5.4 The Scheme of Delegation has been updated to also delegate to the Directors of Strategy and Resources (with sub-scheme to Head of Procurement and Commercial Services) responsibility for setting, supporting and monitoring the Council policies and procedures for managing “contract management and commercial activity”.

P2P Review

- 5.5 One of the ambitions of the Core Business Transformation Programme (**CBT**) is to procure and implement modern integrated cloud technology to exploit digital capability. The new financial management technology will enable services to standardise and simplify how they work freeing up capacity by removing manual processes and “off-line” manipulation and processing of data and providing decision-makers with timely, consistent, and standard management information in relation to financial transactions.
- 5.6 A further ambition of CBT is to drive down costs and achieve better value for money through efficient and standardised practices in relation to “Procure to Pay” (**P2P**).
- 5.7 P2P refers to all processes and systems from procurement, through contract management, to payment. The P2P function is not currently recognised as one end to end, integrated business function in Leeds. It is one of the most critical business processes and involves significant spend and cash flow.
- 5.8 A review of the P2P function (the **P2P Review**) is currently underway to improve system capabilities, which has been informed by (amongst other things) an LGA facilitated peer review in June 2021.
- 5.9 Significant progress has been made in relation to the P2P Review, including:
 - 5.9.1 Adopting a new e-procurement platform;
 - 5.9.2 Commencing development of a Council-wide approach to contract management with a view to ensuring that the processes are user friendly, efficient, and effective for all scales of procurement activity. To date, 400+ contract managers have been identified across the organisation and over 60 staff have now undertaken Foundation training. Utilisation of the CMM has been mandatory for all awarded contracts since October 2022. A contract management newsletter has been developed and circulated across the Council, sharing key updates and creating a contract management community;
 - 5.9.3 A Market Sounding Exercise is ongoing to determine what technology is available to facilitate procurement in contract management, with focus on automation, integration, and efficiencies;
 - 5.9.4 Assessing opportunities for greater use of technology to enable systems to be more user friendly, efficient, and effective. An initial “Case for Change” has been produced outlining the opportunities, and a full business case is in development;

- 5.9.5 Reviewing procurement processes, guidance, and documentation to improve efficiency and ensure fitness for purpose. CPRs and supporting documents have been reviewed and simplified, and a user-friendly version created in draft format for review by relevant officers with a view to implementation in the New Year;
- 5.9.6 Appointing additional corporate resource to support services' procurement and commercial activity with a view to helping services develop their commercial skills and to deliver savings in response to the Council's financial challenge and the delivery of service transformation;
- 5.9.7 Engaging with potential local suppliers via a new comms and marketing plan, including:
- understanding the barriers to bidding for Council contracts; and
 - providing potential suppliers with training, support, and guidance regarding bidding for public contracts.
- 5.10 Following review, a refined P2P action plan is set out below identifying 6 priority areas, key deliverable tasks and key delivery dates:

PRIORITY	TASKS	KEY DATES
1. User Friendly Processes	PHASE 1 <ul style="list-style-type: none"> • Go4Growth to review and simplify CPRs and proc documentation to aid self-service for low value procurements 	Start – 1/9/23 Complete – 31/3/24
	PHASE 2 <ul style="list-style-type: none"> • Review of app solution for low value procurements; • Continuing review to take account of flexibility anticipated under new Procurement Act (October 2024) 	Start – 1/4/24 Complete – 31/3/25
2. Fit for purpose system	PHASE 1 <ul style="list-style-type: none"> • Assess available whole-contract lifecycle technology; • Scope requirements; • Draft business case for whole-contract lifecycle system • Report EY contract management project output 	Start – 1/9/23 Complete 31/3/24
	PHASE 2 <ul style="list-style-type: none"> • Finalise business case for whole-contract lifecycle system • Dovetail with a) other available LCC systems (including Microsoft 	Start – 1/4/24 Complete – 31/12/25

	<p>Dynamics and Power BI) and b) YORtender3 review/expiry</p> <ul style="list-style-type: none"> • Procure and implement fit for purpose system 	
3. Organisational Resource Review	<ul style="list-style-type: none"> • Review organisation's approach to procurement resource including: <ul style="list-style-type: none"> ○ Centralisation/more flexible utilisation of procurement resource ○ Review of categories ○ Council-wide review of procurement skills and capabilities • Review of corporate operational support team – purchasing, invoice, data and contract management • Review Procurement Practitioners Group (attendees, frequency, purpose etc) 	<p>Start – 30/10/23 Complete – 31/3/24</p>
4. New Procurement Strategy	<ul style="list-style-type: none"> • Assess current position and delivery of KPIs. • Review in context of latest national procurement strategy, NPPS and Procurement Act • Review category management processes • Consultation, including draft to CGAC Nov 2024 • Exec Board approval early 2025 	<p>Start – 1/1/24 Complete – 31/3/25</p>
5. Contract Management Best Practice	<p>PHASE 1</p> <ul style="list-style-type: none"> • Review contract register • Develop contract management best practice framework and guidance • Develop and embed contract management skills across LCC • Establish contract management assurance and oversight board (via financial challenge group) • Review process for market and supplier engagement including market intelligence/benchmarking 	<p>Start – ongoing Complete – 31/3/24</p>
	<p>PHASE 2</p> <ul style="list-style-type: none"> • Continually monitor and review contract management outcomes 	<p>Start – 1/4/24 Complete – 31/3/25</p>

	<ul style="list-style-type: none"> • Delivery and reporting of contract management framework outcomes 	
6. Social Value and local partnerships	<ul style="list-style-type: none"> • Delivery and reporting of SV outcomes • Develop examples of SV successes to inform/inspire • Implementation of SV Fund • Leeds-wide SV TOMs (engage with anchors/third sector) • Increasing local spend • Engaging with SPG/YORhub – procurement alignment/SV support to partners/maximising YORhub income opportunities 	Start – ongoing Complete – 31/3/24

New Procurement Act

- 5.11 The Procurement Act 2023 has recently received royal assent and will become operative in October 2024 following a period of transition and when the wider legislative framework (secondary legislation and guidance) is in place and training and support has been provided to public bodies. PACS will continue to monitor progress of the secondary legislation through Parliament and the guidance/training tools provided. During the period of transition the Council processes will be reviewed and updated to ensure compliance with the new regulatory regime.