

# Procurement Assurance Report 2024

Date: 23<sup>rd</sup> September 2024

Report of: Head of Procurement and Commercial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

This is the annual report of the Head of Procurement and Commercial Services to the Committee, concerning the Council's procurement function, and provides assurances that the Council's arrangements are up to date, fit for purpose, effectively communicated and routinely complied with.

The Committee is asked to consider the ongoing review and work in response to the requirements of the Procurement Act 2023 and as part of the Core Business Transformation Programme (the **Source to Contract Review**) in order maintain effective procurement support and practices, including appropriate training and guidance, and efficient systems and processes.

## Recommendations

- a) Consider and note the assurances provided in this report from the review, assessment and on-going monitoring carried out;
- b) Note that the Head of Procurement and Commercial Services has reached the opinion that procurement policies and practices are up to date, fit for purpose, and effectively communicated; and
- c) Note the ongoing Source to Contract Review and endorse the proposed approach to amendment of the Contracts Procedure Rules.

## What is this report about?

- 1 This is the annual report to the Committee concerning the Council's procurement function.
- 2 This report provides assurance that the Council's procurement arrangements are up to date, fit for purpose, effectively communicated and routinely complied with. It further provides assurance that the Council's procurement arrangements are currently being reviewed in order to ensure continuing fitness for purpose (particularly in the context of the Procurement Act 2023, which comes into force from 28<sup>th</sup> October 2024).
- 3 Members are asked to consider the ongoing work to review and refine the Council's procurement processes as part of the Core Business Transformation Programme (the **Source to Contract Review**) in order maintain effective procurement support and practices, including appropriate training and guidance, and efficient systems and processes.

## What impact will this proposal have?

- 4 The report provides assurance as to the effectiveness of the Council's procurement arrangements. Detail is included in the Procurement Statement (Appendix A), however note in particular:
  - a) Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for. The Executive Function of setting, supporting and monitoring policies and procedures for managing procurement, purchasing and contract management is delegated to the Director of Strategy and Resources, with further sub-delegation to the Head of Procurement and Commercial Services. Procurement and Commercial Services is accountable for provision of professional support to complex procurement activity.
  - b) External spend in 2023/24:
    - i. In aggregate was £1,150,447,317, a c£29m increase on the preceding year;
    - ii. Of this total, spend which was capable of being influenced by the Council's procurement arrangements totalled c£788m, a reduction of c£90m compared to 2022/23 and reflecting the response to the financial challenge;
    - iii. The remainder of the external spend figure is uninfluenceable by the Council's procurement arrangements. This uninfluenceable spend totals c£360m, being an increase of c£120m on the preceding year. Uninfluenceable spend includes payments relating to third party contracting arrangements passing through the Council (including some school contracts), payments to providers of social care directly chosen by service users, foster care payments, grant payments.
  - c) The Council's Contract Procedure Rules (**CPRs**) are refreshed annually, and changes reported to the Committee. A comprehensive review of the Contracts Procedure Rules has been undertaken:
    - i. to take account of the requirements of the Procurement Act 2023, which is scheduled to come into force on 28<sup>th</sup> October 2024; and
    - ii. as part of the broader review of the Council's Constitution, to reduce duplication, maximise efficiencies and minimise bureaucracy while remaining fit or purpose (as reported to the General Purposes Committee on 17<sup>th</sup> April 2024).
  - d) Regarding compliance:
    - i. There have been no formal procurement challenges in 2023/24;

- ii. On-contract spend has exceeded 95% since 2019/20 (significantly in excess of the sector benchmark of 90%). It remains strong and there is general compliance with procurement policies, with on-contract and compliant expenditure standing at 95.85% in 2023/24; and
  - iii. The number of waivers of CPRs in 2023/24 was 20 (down from 23 in the previous year). Aggregate value of contracts awarded as a consequence of waiver of CPRs in 2023/24 was c£9m, being less than 1% of total external spend in 2023/24.
- e) The Source to Contract Review forms part of the Core Business Transformation Programme. It has progressed significantly in 2024, with a business case for a new Source to Contract system now approved, the contract management best practice framework in place and operating practice across the Council, and a Contract Management Assurance Board established.
- f) A framework for delivering Social Value in all the Council's procurements has been established for a number of years now and is well embedded in relation to the Council's higher-value procurement activity. Expenditure with local suppliers and small and medium sized enterprises (SME's) equated to 67.1% of total expenditure in 2023/24, an increase from 63.4% in the previous year. In addition, a Social Value dashboard statement is included in Appendix A, demonstrating c£10m of social value delivered in relation to the Council's contracting over the past 12 months.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 5 The Council's procurement function ensures that the Council is able to deliver the 3 pillars of the Council's Best City Ambition. The goods, works and services we choose to buy and commission, the suppliers we select, the influential relationships we maintain with those suppliers, and the commercial opportunities we offer can help deliver inclusive growth, improve the health and wellbeing of local people, and support the push toward zero carbon.
- 6 The Procurement Strategy (2019 – 2024) was specifically drafted in response to the Best Council Plan, and dovetails with other relevant strategies such as the Inclusive Growth Strategy. The developing updated Procurement Strategy will similarly respond to the Best City Ambitions (see Appendix A for further detail as to the process and programme for the Procurement Strategy review).
- 7 Individual procurements support the Council's priorities and breakthrough projects.

### What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?       Yes       No

- 8 An annual procurement update report was provided to Strategy and Resources Scrutiny Board in March 2024<sup>1</sup>. Amongst other things, the report updated Strategy and Resources Scrutiny Board as to:
- a) numbers of staff who have accessed contract management training;
  - b) development of the Council-wide contract management best practice (including the Contract Management Assurance Board, Contract Management Framework and contract balanced scorecards);

<sup>1</sup> [Procurement Update Final.pdf \(leeds.gov.uk\)](https://leeds.gov.uk/procurement-update-final.pdf)

- c) Social Value and support to Leeds-based suppliers;
  - d) The implications of the Procurement Act 2023.
- 9 The CPR review involves wider consultation involving commissioners within services, Internal Audit and Corporate Governance. 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 also continue to be consulted in respect of Social Value. The Survey of Internal Control received responses from across the Council in relation to procurement controls.
- 10 The Source to Contract Review has been developed following an LGA facilitated peer-review of the Council's procurement activity and is the subject of Council-wide consultation as part of the Core Business Transformation Programme. The approach to procurement of the new Source to Contract system is informed by market research.
- 11 Seeking opportunities for procurement savings is subject of oversight by BCT: Financial Challenge (including the Contract Management Assurance Board).

### **What are the resource implications?**

- 12 The systems and processes anticipated by the Procurement Strategy (and the documented KPIs) represent an appropriate use of resources and are good value for money.
- 13 However, they will not be sufficient to ensure compliance with the requirements of the Procurement Act 2023. Consequently, the new Source to Contract system is required to ensure ongoing compliance but will also enable greater efficiency in procurement activity and access to data to deliver cashable savings across the whole contract lifecycle.
- 14 The Source to Contract business case also provides for additional corporate resource to support services in improving their contract management processes.

### **What are the key risks and how are they being managed?**

- 15 The systems and processes that form part of the Council's procurement framework are currently functioning adequately but will not be sufficient to respond to requirements of the Procurement Act 2023 when it becomes operative. Further, the procurement processes (particularly for low value procurements) are perceived to be complex, access to useful procurement and spend data to inform decision making requires significant manual intervention, and effective contract management across the Council is limited, leading to value seepage under Council contracts.
- 16 Therefore, process/systems reviews are currently underway as part of the Source to Contract Review and training, support and guidance is available to all officers involved in procurement and contract management to ensure that procurement across the Council is efficient and effective.
- 17 One of the directorate risks relates to risk of procurement challenge and (as set out above) there have been no formal challenges to procurement activity in the year to date. Work is continually undertaken to ensure that effective procurement processes, responding to regulatory requirements and best practice developments, are embedded through training and monitoring.

### **What are the legal implications?**

- 18 The arrangements put in place through the Procurement Strategy, CPRs and procurement tools and documentation meet all legal requirements. The proposed amendments to the Council's procurement arrangements detailed elsewhere in this report (particularly to CPRs), are intended to ensure continuing legal compliance in the context of the Procurement Act 2023.

19 This report is not eligible for call-in.

## **Options, timescales and measuring success**

### **What other options were considered?**

20 This report is a valuable source of assurance for the Committee and enables democratic oversight of the Council's procurement arrangements.

21 Opportunities for improving effectiveness and efficiency of the Council's procurement arrangements are currently being delivered as part of the Source to Contract Review.

### **How will success be measured?**

22 Opportunities for improvement will be measured against "best practice", the Procurement Strategy KPIs, and the implementation of the amendments to the Council's procurement arrangements prior to the Procurement Act 2023 coming into force on 28<sup>th</sup> October 2024.

### **What is the timetable and who will be responsible for implementation?**

23 An update of the Source to Contract action plan, including timetable is included in Appendix A. The Head of Procurement and Commercial Services is responsible for implementation.

## **Appendices**

- A – Procurement Statement

## **Background papers**

- None