

Report of the Chief Officer – Financial Services

Report to Scrutiny Board (Strategy and Resources)

Date: 1st April 2019

Subject: New Procurement Strategy 2019 - 2024

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

1. Leeds City Council continually seeks to reduce expenditure, improve outcomes and deliver value for money from the goods, works and services that it buys. The Council currently spends approximately £800 million externally each year, across both revenue and capital. We use a variety of contracts, from simple purchase orders to long-term partnership agreements. Some contracts are with a single provider, others are frameworks or dynamic purchasing systems with multiple providers.
2. Following a period of consultation, Procurement and Commercial Services (**PACS**) has drafted its updated procurement strategy for 2019 – 2024 (the **New Procurement Strategy**). This report sets out the proposed key areas of the New Procurement Strategy, including a statement of the aims to be achieved through procurement. The New Procurement Strategy is attached to this report at Appendix 1.
3. The New Procurement Strategy seeks to secure a range of benefits for the Council – improved value for money, improved governance and assurance, improved social value, improved engagement with our strategic suppliers, improved contract management and improved commercial opportunities, all of which aim to support the Council’s wider ambitions set down in the Best Council Plan 2018-19 to 2020-21.
4. The New Procurement Strategy also identifies 4 “enablers” which need to be addressed and developed in order to support the Council’s achievement of the ambitions set out in the New Procurement Strategy, and KPIs to measure and monitor progress.

Recommendations

Scrutiny Board is recommended to:

- note the contents of the draft New Procurement Strategy; and
- provide comments that they may have on the draft New Procurement Strategy.

1. Purpose of this report

- 1.1. To provide an update to the Board in relation to the New Procurement Strategy and invite any comments that the Board may have in such regard.

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 remains close to £800m per annum.

2.2. The Council's current procurement strategy has been in place since 2011. The current strategy focuses on the following key aims:

2.2.1. Efficiency: Ensuring the Council gets maximum value from every pound that is spent through best value and innovative procurement practice; a consistent approach and one council approach to commissioning; a clearly identified and practised savings strategy and the implementation of a category management approach to procurement.

2.2.2. Governance: Ensuring the Council has appropriate and proportionate controls, systems and standards to manage procurement risk and to comply with legal requirements.

2.2.3. Improvement: Seeking new ways to develop and improve the Council's procurement and commissioning activities, and exploring how those activities can deliver the council's wider strategic outcomes.

2.3. It provides for a category management approach to procurement, which allows procurement resources to focus on specific areas of spend and enables category managers to focus their time and conduct on in depth market analysis to fully understand changes in the market and leverage their procurement decisions on behalf of the whole organisation, and to support bulk buying where appropriate, in order to improve quality, savings and efficiency.

2.4. It also advocates a whole lifecycle approach, defining clear roles and responsibilities, and providing a suite of documentation which can be tailored proportionately to the risks and value of procurement activity.

2.5. Measures such as those referred to above have facilitated procurement savings in the value of approximately £30m over the term of the Council's current procurement strategy.

3. Main Issues

3.1. The Council's existing procurement strategy is heavily focused on best value and procurement processes. However, during the period of the current procurement strategy, both the Best Council Plan 2018-19 to 2020-21 (the **Best Council Plan**) and the Local Government Association's National Procurement Strategy for Local Government in England 2018 (the **National Procurement Strategy**) have been published.

- 3.2. The Best Council Plan identifies the best city ambition of a “strong economy and a compassionate city” and the best council ambition of “an efficient and enterprising organisation”. It also identifies inclusive growth as a best city priority.
- 3.3. The National Procurement Strategy identifies three themes for focus which its consultation has shown reflects local government’s priorities for the next four years:
- showing leadership;
 - behaving commercially; and
 - achieving community benefits.
- 3.4. While clearly best value and good governance must remain cornerstones of our procurement activity (and the Council relies on continuing procurement efficiencies to support the achievement of a balanced budget each year), it is equally clear from the Best Council Plan and the National Procurement Strategy that the Council’s procurement strategy must be developed further in order to provide much greater focus on delivering maximum benefits locally from Council spending.

Procurement Strategy Review

- 3.5. The National Procurement Strategy is accompanied by a self-analysis toolkit which has been developed to support its delivery by helping councils to understand their maturity levels in key areas of procurement strategy, to set appropriate objectives in relation to those maturity levels and to assess their own progress against those objectives.
- 3.6. In determining the Council’s baseline level of procurement maturity, the Local Government Association indicated that scoring should be done on the basis of the weakest level of attainment in the Council rather than attempting to arrive at an average. In order to determine where the weakest level lies within the Council, PACS consulted with commissioning/procurement staff across the Council and the current maturity level has been set at the weakest level within the Council. The results can be found in Appendix 2 of the New Procurement Strategy.

Outcomes of Review

- 3.7. In developing the New Procurement Strategy, PACS has taken into account significant current procurement related issues, such as social value, and robustly challenged the maturity level of the Council in respect of procurement in order to set appropriate targets for improvement.
- 3.8. The following five priority areas have been identified in the New Procurement Strategy:
- 3.8.1 **Value for money and efficiency.** We will: seek to ensure the Council gets maximum value from every pound that is spent through best value and innovative procurement practice; adopt a consistent corporate approach to commissioning; adopt a clearly identified savings strategy; and continue a category management approach to procurement.
 - 3.8.2 **Governance.** We will ensure compliance with the Contract Procedure Rules, the Council’s Constitution and public procurement law (including

the Public Contracts Regulations 2015) in order to manage procurement risk and to comply with legal requirements.

3.8.3 **Social value.** We will seek to improve economic, social and environmental wellbeing from our contracts, over and above the delivery of the services directly required, and at no extra cost. In this regard a social value framework guidance document is in the process of being developed (the **Social Value Framework**). While much progress has been made in respect of social value through procurement, and this has been reported to Executive Board previously, further work is needed to draw together examples of social value achieved and provide advice and support to commissioners as to social value opportunities in procurement. The New Procurement Strategy KPIs anticipate that PACS will be responsible for reporting to Executive Member and Scrutiny Board, and managing and delivering social value across procurement and commissioning, and will provide relevant officers with social value training. Currently there is no resource available to undertake this role, and this will need to be addressed in due course in order to maximise social value outcomes and realise the Council's ambitions.

3.8.4 **Commercial opportunities.** We will seek new ways to develop and create commercial opportunities through procurement and commissioning activities, not just by promoting revenue generation, but by looking at how we engage with, and influence, the marketplace and potential suppliers in order to drive innovation and develop new ideas around service delivery.

3.8.5 **Strategic supplier engagement and contract management:** We will manage our strategic supplier relationships through continuous engagement with them. We will also ensure effective management of all contracts from beginning to end in order to control costs, obtain the quality outcomes and performance levels set out in the contract and minimise the level of risk.

3.9 These are all areas where procurement can make a major contribution to achieving the Council's ambitions.

3.10 The New Procurement Strategy also identifies a number of "procurement enablers" which are the cross-cutting issues that we will need to address if we are to realise our ambitions. These enablers cover:

- ensuring we develop talent by supporting staff to obtain professional qualifications and apprenticeships;
- exploiting digital technology such as electronic tendering, Procure 2 Pay systems, electronic invoicing and using technology to enhance our knowledge management by accessing paper and electronic sources to build comprehensive intelligence about contracts, markets and trends;
- embracing an innovative approach across all Council procurements; and
- embedding change in the organisation by ensuring that senior managers recognise the importance of procurement and contract management, and promoting it as a way of leading and managing organisational change.

3.11 Using the maturity levels identified in the New Procurement Strategy we also identified relevant KPI's against which to measure our progress towards the maturity level we realistically believe we can achieve by 2021 and 2024. These KPI's are set out at Appendix 3 of the New Procurement Strategy.

3.12 A copy of the draft New Procurement Strategy is appended to this report at Appendix 1. Members of the Board are invited to provide comments that they may have on the draft New Procurement Strategy.

Implementation

3.13 This report describes proposals for a New Procurement Strategy for the Council, which will require a transition from current practice to new practice.

3.14 Many aspects of the New Procurement Strategy mirror the existing strategy and will not change, such as:

3.14.1 each directorate will remain accountable for the procurements that they undertake in order to deliver the services and secure the outcomes that they are responsible for;

3.14.2 directorates owns the preparation of the specification and the evaluation criteria, and takes all decisions in relation to the procurement including the proportion of the budget to be allocated to the contract, the decision to commence a procurement, and which organisation to award the contract to;

3.14.3 directorates are accountable for mobilising, managing, and exiting the contract;

3.14.4 PACS will continue to develop as a centre of excellence and be accountable for providing a central source of expertise, advice and support, providing check and challenge as appropriate;

3.14.5 PACS will remain responsible for working with directorate colleagues through the use of category teams to ensure consistency of approach and advice and to ensure that procurement staff have appropriate knowledge and experience in respect of the relevant category of spend; and

3.14.6 PACS will continue to act as a central source of management information with respect to the council's procurement activity and performance, including spend analysis. It will be responsible for maintaining the council's electronic tender system, for publishing a register of contracts awarded and for publishing a calendar of the council's planned procurement activities.

3.15 However, following adoption of the New Procurement Strategy, actions will be required as follows:

3.15.1 Finalising updates to supporting procurement documents and CPRs. Of particular significance is the ongoing development (in consultation with third sector representatives 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;

3.15.2 Publishing the New Procurement Strategy and supporting documents on InSite within toolkits dedicated to procurement and category management and with key further communication as to their update on the InSite carousel;

3.15.3 Rolling out training on the New Procurement Strategy and updated documents for relevant staff;

3.15.4 continued engagement with key stakeholders to support implementation and fine tuning;

3.15.5 Category teams within PACS to work closely with commissioning staff within directorates to ensure compliance with CPRs and use of the correct documentation and governance processes;

3.15.6 cross-council Procurement Practitioner Group and Commissioners' Procurement Group to each meet regularly to share issues and best practice, with training sessions organised for procurement staff and commissioners when new significant policy changes (such as the New Procurement Strategy) are implemented; and

3.15.7 PACS management representatives on commissioning boards in service areas across the Council.

3.16 It is anticipated that the desired maturity levels will for the most part have been achieved within the next 2 years. However, where the desired maturity level extends beyond this, it is anticipated that these processes will be fully embedded into day-to-day working practices during the period of the New Procurement Strategy. In any event, performance and progress will be measured on an annual basis and reported to both this Board and the Corporate Governance and Audit Committee.

4. Corporate Considerations

4.1. Consultation and Engagement

4.1.1. There has been significant consultation on the draft procurement strategy, and social value framework and guidance. In particular, consultation has taken place with the People's Commissioning Group, Public Health Programme Board and the Corporate Procurement Group. In addition a workshop has been held to which all commissioning colleagues within directorates were invited, in order to determine the corporate maturity levels and comments from these briefings have been incorporated into the New Procurement Strategy. Further, a report as to the proposals for the New Procurement Strategy was taken to and received support from Executive Board in December 2018, and the New Procurement Strategy has also been the subject of a recent report to the Corporate Governance and Audit Committee.

4.1.2. There has not been any consultation with the general public on these proposals as there is no direct impact on the general public from these reviews.

4.2. Equality and Diversity/Cohesion and Integration

4.2.1. An equality impact assessment screening has been completed. The screening form is attached at appendix 2 and highlights the importance of screening categories and procurements for their equality impacts and responding accordingly in line with the council's equality and diversity policies.

4.2.2. The outputs from the programme include prompts and tools to support appropriate consideration of equality and diversity throughout the procurement lifecycle

4.3. Council policies and City Priorities

4.3.1. The vision from the Best Council Plan is for Leeds to be a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth. These values frame the New Procurement Strategy which will seek to deliver the Council's best city and best council ambitions.

4.4. Resources and value for money

4.4.1. The costs of delivering the programme to date have been internal staffing costs. During the proposed period of the New Procurement Strategy, the costs will continue to be internal staffing costs, however it is anticipated that the focus for achieving social value outcomes through procurement activity will move towards PACS and away from directorate staff. PACS senior management will develop proposals for a restructure to reflect this increased workload.

4.4.2. The outputs from the New Procurement Strategy include a review of the Category Team Structures and guidance/toolkits to support consideration of social value throughout the procurement process, including tools to track savings opportunities and to support resource allocation which is proportionate to the value, risk and complexity of the relevant issue or task.

4.5. Legal Implications, Access to Information and Call In

4.5.1. There are no specific issues in this report with respect to these matters.

4.5.2. This report is for information and comment and therefore is not eligible for Call-In. There are no grounds for keeping its contents confidential under the Access to Information Rules.

4.5.3. The Council's approach to procurement satisfies all necessary legal and regulatory obligations. The template documents and toolkits will continue to be reviewed, including any refresh necessary to accommodate anticipated changes to Public Contracts Regulations 2015 due to Brexit through amended UK Public Procurement Regulations.

4.6. Risk Management

4.6.1. The New Procurement Strategy will improve the Council's risk management when conducting procurements and managing contracts.

5. Recommendations

5.1. Scrutiny Board is recommended to:

5.1.1. Note the contents of the New Procurement Strategy; and

5.1.2. provide comments that they may have on the draft New Procurement Strategy.

6. Background documents¹

6.1. 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.