

APPENDIX A – PROCUREMENT STATEMENT

1. DEFINE AND DOCUMENT

Procurement activity during 2021/22

- 1.1 Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for. The Council procures a very wide range of goods, works and services, including front-line services and back-office support. The Council's external spend in 2021/22 was £957,753,222 (a reduction of c£40m on the preceding year which was inflated as a consequence of Covid-related grant and support funding).
- 1.2 The Head of Procurement and Commercial Services (**PACS**) (delegated from Director of Resources) is responsible for setting, supporting and monitoring the Council's policies and procedures for procurement and purchasing.
- 1.3 PACS' limited resources are prioritised to supporting high value and complex (from a risk perspective) activity. The Contracts Procedure Rules (**CPRs**) require Chief Officers to involve and/or consult with PACS for specified procurement activity, and also requires 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. Support provided by PACS includes procurement processes and compliance with procurement legislation, identifying and working with services to reduce off-contract spend, identify procurement savings, and providing check and challenge.
- 1.4 PACS also provides support in respect of lower value procurements by way of:
 - 1.4.1 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;
 - 1.4.2 telephone support; and
 - 1.4.1 where non-standard terms and conditions are proposed, the requirement that these are vetted through the commercial team within PACS.

Contracts Procedure Rules

- 1.5 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.
- 1.6 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 August 2022), with proposed amendments including:
 - Strengthening the requirement to include social value in all Council contracts regardless of value by cross referencing the requirement to allocate a minimum of 10% of the evaluation criteria to Social Value when procuring a

contract, as required in the Social Value Guidelines for Leeds City Council Commissioners;

- Strengthening Contract Management by making it a requirement that all Officers involved in contract management complete the Contract Management Module in Yortender for all tenders registered on Yortender as a minimum;
- Providing more flexibility to Directorates to establish approved lists of contractors where there is an urgent need to provide goods, works or services to meet statutory requirements which may otherwise result in a legal claim (e.g. housing disrepair) or out of hours emergencies (e.g. a water or gas leak) etc. Individual orders up to a maximum of £25,000 will be allowed provided the process set out in Appendix 3 of CPRs is followed; and
- Extending the number of Exempt Contracts to include goods (or component part thereof) bought for resale that are to be sold through a Council outlet (e.g. the Arium). Any individual order must not exceed £25K.

Procurement Strategy

- 1.7 The 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.
- 1.8 The Procurement Strategy continues to promote a category management approach to procurement, though notes the resource implications mean that this is compromised in some regards. It also advocates a whole lifecycle approach to contracting, and defines clear roles and responsibilities.

Procurement tools and documents

- 1.9 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 to be refreshed under the P2P Review to ensure they are user-friendly. In addition, it is anticipated that the new Procurement Bill will be enacted sometime in 2023 and the various procurement delivery documents will need to be further reviewed in such regard.
- 1.10 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 recent “Survey of Internal Control” identifies the opportunity to further improve the connectivity between PACS and colleagues undertaking procurement activity in services, particularly in relation to Social Value elements.

3 EFFECTIVELY EMBED

Compliance: On-contract Spend

- 3.1 Despite diverting some resource away from compliance toward more value added activity:
 - 3.1.1 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;
 - 3.1.2 PACS also produces monthly and quarterly reports detailing non and off-contract spend. These reports are used to inform monthly meetings with PACS Category Managers and their meetings with directorate contacts; and
 - 3.1.3 As each directorate is responsible for the for the procurements that they need in order to secure the outcomes they are responsible for, Contract expenditure analysis and compliance is 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. Supporting directorates with this reporting has been successful toward reducing 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.
- 3.2 This activity has enabled off contract spend to remain at minimum levels compared to total spend. In 2021/22, 98.5% of payments were on contract or compliant with CPR's, up from 2020/21 figure of 96.42% (demonstrating that compliance is well-embedded following hard work over the past 10 years).

Compliance: Waivers

- 3.3 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.
- 3.4 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 2021/22, the number of waivers reduced to 37, down from 60 in 2020/21. Aggregate spend in 2021/22 against contracts which were the subject of waivers of CPRs was c£13m, being 1.4% of the total external spend in 2021/22.

Procurement Challenges/Transparency

- 3.5 There have been a number of requests for additional information in response to standstill letters (i.e. the transparency process of providing information to unsuccessful bidders prior to contract award), however none of those requests have developed into formal proceedings challenging decisions by the Council on award of contracts.
- 3.6 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 through 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.
- 3.7 PACS also receives and responds to a significant number of FOI requests each year.

Social Value

- 3.8 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.
- 3.9 Expenditure with local suppliers and SME's has been measured for several years, and equates to 63.8% of total expenditure in 2021/22 (down from 65.88% in the previous year). In addition, the Council has sought to deliver employment and skills outputs from procurement activity. 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.
- 3.10 The 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 the tender process.

- 3.11 A Leeds-specific set of Social Value themes, outcomes and measures has been developed (based around the 3 main priority areas of: Employment and Skills, the Environment, and Education) to facilitate development/evaluation of Social Value requirements for procurements.
- 3.12 The first contracts went live on the Council's Social Value monitoring system (for contracts valued over £100,000) in April 2021, and to date:
- 3.12.1 There are 53 live projects with a contract value of c.£146m (compared to £108m reported to this Committee in November 2021);
- 3.12.2 Over £23m of additional Social Value has been committed in relation to those contracts (compared to £10.5m reported to this Committee in November 2021); and
- 3.12.3 We have delivered over £1.5m of additional Social Value from those contracts (compared to £169k reported to this Committee in November 2021).

DELIVERED SOCIAL & LOCAL ECONOMIC VALUE	% COMMITMENTS DELIVERED	CONTRACT VALUE INCLUDED
£1,542,664	6.69%	£145,459,629
COMMITTED SOCIAL & LOCAL ECONOMIC VALUE	LIVE PROJECTS	% SOCIAL & LOCAL ECONOMIC VALUE ADD
£23,069,556	53	1.06%
	CLOSED/DEMO PROJECTS	
	49	

Covid-19

- 3.13 The Covid-19 pandemic had a major impact on the implementation of the Procurement Strategy, and resulted in continued higher than normal levels of Council external spend in 2021/22.
- 3.14 The initial response to the Covid-19 emergency resulted in urgent contracts or contract variations/extensions needing to be put in place. However, the flexibility and capability of the Council's procurement staff meant that issues such as PPE have been effectively and efficiently managed throughout the pandemic (including providing support to other partners and public sector bodies in Leeds).

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 In addition, the Head of PACS is the Council's representative on the YORhub board (managing a number of regional construction and consultancy framework contracts) and PACS manages a suite of Children's services framework contracts.

- 4.3 The Social Value Board (chaired by the Director of Resources) continues to include representation across all directorates, and provides oversight in relation to Social Value in procurement.
- 4.4 In addition, the contract award process for contracts above £100,000, annual internal audit review/reporting on a small number of procurements each year, and the ongoing training and support provided to directorates offer further assurance around monitoring of compliance.
- 4.5 Annual procurement related reports are provided to this Committee and Strategy and Resources Scrutiny Board.

Procurement Responses to Survey of Internal Control

- 4.6 Further the recent Survey of Internal Control identified that:
 - 4.6.1 92% of responses considered arrangements relating to procurement to be well embedded or fairly well embedded. However, issues were noted regarding contract management arrangements, and about procurement processes being too complex/taking too long; and
 - 4.6.2 Over 70% of responses considered Social Value to be well embedded or fairly embedded, which is positive after c.12 months. However, issues noted were a lack of understanding that Social Value is a reference to additional value being provided above the core subject matter of the contract (particularly in the context of peoples services) and that work is needed to improve handover of contract management of Social Value commitments.

5 REVIEW AND REFINE

- 5.1 The Procurement Strategy was adopted in June 2019, and is kept under continual review, with a formal review scheduled for 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 currently being refreshed;
 - 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 adopt 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 a new e-tendering system (YORtender 3) which went live in January 2022. A contract management module on YORtender3 has subsequently been developed;

- 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. As part of the P2P Review, proposals for allowing increased focus on strategic value from procurement are currently in development;
- 5.2.4 Embedding change - senior managers are encouraged to recognise the importance of procurement and contract management, 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 to help respond to the Council’s financial challenge, and to ensure that contracts are effectively managed.

P2P Review

- 5.3 One of the ambitions of the Core Business Transformation Programme is not only to procure and implement modern integrated cloud technology to exploit digital capability, but also to drive down costs and achieve better value for money through efficient and standardised practices, including in relation to “Procure to Pay” (**P2P**).
- 5.4 “Procure to pay” 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.
- 5.5 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.
- 5.6 Further detail regarding progress in respect of the P2P Review is at Appendix B.

Market Pressures and New Procurement Bill

- 5.7 Brexit, Covid 19 and global market factors (including the war in Ukraine and energy price rises) have all contributed to price inflation. While the majority of Council procurements do not allow for price inflation, several suppliers have approached the Council looking to review prices. These are currently being reviewed and addressed on a case by case basis.
- 5.8 The new Procurement Bill has recently been published and is making its way through Parliament. It is anticipated that the legislation will be enacted in 2023. PACS has fed into to the previous Green Paper consultation and will continue to monitor progress of the legislation through Parliament. It is understood that a period of transition will then be provided for, where the Council processes will be reviewed and updated to ensure compliance with the new regulatory regime.