

Tail Spend Procurement

Date: 14 March 2022

Report of: Group Procurement Manager

Report to: Director of Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Tail Spend refers to products that are low value and typically (but not always) low volume and not subject to existing contracting arrangements. Tail Spend purchases are often not visible until it appears in end of year accounts and can cause budget pressures if not controlled.

These purchases are usually made by members of staff outside of formal procurement practices, and typically goes unmanaged. Examples of Tail Spend can include schools buying stationery for a specific short-term need, social workers buying urgent goods for families or the purchase by a service of equipment and accessories that they are unlikely to buy again or in the near future.

The council plans to enter into a pilot with Mercateo UK Ltd for an initial period of up to 6 months under a trial with CEL, Resources Directorate. A review of the trial will determine if the solution should be introduced across the Council for the duration of the contract of 4 years in total.

Recommendations

- a) The Director of Resources is asked to approve the use of Crown Commercial Services (CCS) Framework contract RM6202 Tail Spend Solution to make a direct award with Mercateo UK Ltd for a period of 4 years commencing 1st April 2023 to 31st March 2027 (subject to the successful trial of up to 6 months with CEL).
- b) The estimated spend contract value is £500,000 per annum.

What is this report about?

- 1 Procurement and Commercial Services (PACS) have been searching for a solution to address the council's tail spend. These are products that are often low volume and low value that we buy to meet a specific, short-term need and are unlikely to buy again or in the near future. Such expenditure has taken place with high street retailers for example, Morrisons, Currys and Argos to name just a few. PACS has also determined that many divisions of the council use Amazon mainly due to convenience, direct delivery and low prices as identified under a targeted survey PACS conducted in 2021.

- 2 In the intervening time, PACS has identified a solution that works as an 'Amazon style' online platform that will transfer current tail spend expenditure (i.e. Amazon c£270,000 per annum) to on-contract spend under a CCS framework agreement (the **Tail Spend Solution**). In addition, the Tail Spend Solution allows the opportunity to encourage local suppliers to join and to focus spend with local Leeds-based suppliers, which contributes to the local economy (Leeds Pound).
- 3 In conjunction with the Director of Resources, instead of initiating a council wide introduction of the Tail Spend Solution it has been agreed a trial will commence with CEL, and thereafter a review will be undertaken to determine if the Tail Spend Solution should be adopted across the council. The trial is aimed to commence in Spring 2023.
- 4 There are two suppliers on the CCS framework who offer their own digital solution to meet Tail Spend requirements: -
 - a) OT Group Ltd
 - b) Mercateo UK Ltd
- 5 PACS reviewed both solutions and evaluated them against the councils need, to ascertain the most appropriate choice by taking into consideration the importance of each requirement. Mercateo UK Ltd were identified as the successful supplier.
- 6 Having identified Mercateo UK Ltd as the selected provider under the CCS Framework, a small working group in PACS engaged CEL nominated super users on utilising P-Cards as the preferred ordering method, consolidated invoicing and the benefits of Social Value achievements based on spend with local (Leeds) suppliers. CEL has identified a number of suppliers to sign up to the Tail Spend Solution platform, which is a free onboarding service. The Tail Spend Solution is at nil-cost to the Council, and the provider receives remuneration based on rates that are agreed directly with the supplier and reflected in the selling price.
- 7 The new Tail Spend Solution supports suppliers, even if they don't have an e-catalogue, for their inclusion on the platform because the Tail Spend Solution provider will develop a list of their products for digitalisation.
- 8 It should be noted the council's existing contracts (i.e. office stationary/supplies etc) will continue to be the default position for the raising of compliant on-contract orders. The council will place restrictions on product ranges, same as P-card restriction process, that will address any concerns the Tail Spend solution may neutralise the council's formal contracts.

What impact will this proposal have?

- 9 On-contract spend remains strong and there is general compliance with procurement policies, spend with contracted suppliers is at 94.21% and non-contracted suppliers at 5.79%. However, the Tail Spend Solution will be utilised further strengthen compliance by addressing the spend with non-contracted suppliers.
- 10 Tail Spend Solution is a digital purchasing system that the buyer and supplier will use to purchase products that are often low volume and low value that we buy to meet a specific, short-term need and are unlikely to buy again or in the near future "tail spend".
- 11 The Tail Spend Solution will enable the council to capture the expenditure and re-profile this "tail spend" it as on-contract spend. It will also deliver social value based on local spend with local (Leeds) suppliers.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 12 The benefits of the solution will encourage on-contract spend and social value linked to local suppliers which will contribute to the local economy (Leeds Pound).
- 13 The council will work with Mercateo UK Ltd to look for further reductions in carbon emissions by offering a click and collect option, where appropriate.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 14 The Executive Member for Resources has been briefed.
- 15 PACS has consulted with the Director of Resources and the Chief Officer - Financial Services regarding the Tail Spend Solution.
- 16 CEL is the nominated division to undertake a trial for up to 6 months. Detailed meetings / conversations have commenced with the super users of the new Tail Spend Solution within CEL. In addition, detailed consultation has taken place within PACS and with BSC (from an ordering and P-Card perspective).

What are the resource implications?

- 17 There are no additional resource implications on CEL however, PACS Social Value Lead Officer will become the conduit between the super users and the supplier to ensure the trial runs effortlessly.

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

- 18 Procurement risk - CCS procure services on behalf of many public bodies which enables Local Authorities to enter into contracts with organisations under a direct award or call-off arrangement under the terms of the agreement. CCS are a Public Buying Organisation and adhere to the Public Contracts Regulations by procuring goods, works and services on behalf of public bodies in full compliance with the requirements of the Regulations.
- 19 Success of Tail Spend Solution – undertaking the trial with CEL provides the opportunity to test the Tail Spend Solution and learn lessons before rolling it out to the wider Council (if appropriate). In the event the Tail Spend Solution is unsuccessful, it should be noted that utilising the platform is at nil cost to the Council.

What are the legal implications?

- 20 CCS is a central purchasing body and for the purposes of the Public Contract Regulations 2015 and CPRs the Council can purchase services directly from a Public Buying Organisation without the need to go out to tender, as CCS has already procured the services in accordance with the Public Contract Regulations 2015.

21 PACS has confirmed that the procurement exercise undertaken by CCS has been carried out in accordance with the Public Contract Regulations 2015 and is lawful to use.

Options, timescales and measuring success

What other options were considered?

22 Undertaking an open competitive tendering exercise was considered, but not taken forward due to the likelihood of increased costs (compared to a nil charge for LCC to utilise the CCS framework contract) and protracted timescale.

How will success be measured?

23 Success will be measured over the initial trial period with CEL based on the efficiency of the service, cost compared to previous procurement approaches and social value benefits, prior to determining if the solution should be extended across the Council.

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

24 If approved the CCS Framework is available to use immediately. The Group Procurement Manager with support from the Social Value Lead Officer will be responsible for its implementation.

Appendices

- None

Background papers

- None