

Approval to procure a Source to Contract platform and recruit to four posts in Procurement and Commercial Services

Date: 4th July 2024

Report of: Chief Officer Financial Services

Report to: Director of Strategy & Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- This report seeks approval to procure new Source to Contract technology and to recruit to four posts in Procurement and Commercial Services (PACS). The rationale for these requirements is set out in the Source to Contract business case.
- New Source to Contract technology is required as the Council's current procurement system is no longer fit for purpose. A new system will enable the Council to meet the requirements of the Procurement Act 2023 (which comes into force in October 2024), improve efficiency and enable better contract management
- Four posts in PACS are required to support services in meeting the requirements of the Procurement Act, deliver transformation in contract management and to support the adoption of new technology.
- Work recently undertaken has demonstrated that improved management of the Council's contracts will help to deliver savings.
- This exercise will contribute to the city's and Council's ambitions by enabling the Core Business Transformation programme to deliver a successful change programme and therefore support the Council in achieving its strategic ambitions to be the Best Council in the Best City in the UK. This includes transforming the organisation through cultural change enabled by enhanced digital capabilities to optimise procurement, contract management and supplier relationship management.

Recommendations

- a) The Director of Strategy & Resources is recommended to approve the procurement of a Source to Contract platform.
- b) The Director of Strategy & Resources is recommended to approve the recruitment to four posts in Procurement and Commercial Services: three PACS Contract Officers at PO2 and one PACS Contract Support Officer at SO2.

What is this report about?

- 1 This report seeks approval to procure a Source to Contract platform. This is technology that will provide functionality for sourcing, procurement, contract management, supplier relationship management and data and analytics. The Council's current procurement system is not fit for purpose and without new technology it will not be possible to meet the legislative requirements of the Procurement Act, improve contract management or streamline business processes and increase efficiency.
- 2 Replacement of the Council's current procurement platform will enable the Council to fully meet the requirements of the Procurement Act without imposing unsustainable burdens on the Council's services and staff. A more modern system will introduce efficiencies by streamlining processes, removing manual and/or duplicate inputting and offline administration and make business critical activity easier to undertake. A system with improved functionality will provide the opportunity to integrate with other Council systems, reducing workarounds and manual intervention and providing robust data and analytics. There will also be benefits for the Council's suppliers who will have a better platform through which they can find, and tender for, opportunities to work with the Council. A user friendly, automated, system will be of particular benefit to Small and Medium-Sized Enterprises (SMEs) and Voluntary, Community or Social Enterprise organisations (VCSEs) who generally do not have specialised bid teams to call on. Additionally, operating a system that benefits local businesses, SMEs and VCSEs supports the commitments of the Council's [Inclusive Growth Strategy](#) by increasing expenditure with local suppliers and suppliers who generate economic and social benefits for local people.
- 3 This project will support the Council's aim set out in its [People Strategy](#) to be the best place to work with staff provided with the right tools for the job, the [Leeds City Digital Strategy](#) which aims to transform how we work using the many opportunities provided by digital technology, and deliver savings through more efficient ways of working and application rationalisation.
- 4 This report also seeks approval to recruit to four posts in PACS. These posts are three PACS Contract Officers at PO2 grade and one PACS Contract Support Officer at SO2 grade. These posts were subject to previous consultation with trade unions as part of the PACS service review in mid-2023 and already exist on the PACS structure.

These posts are required to:

- Support services in meeting the requirements of the Procurement Act 2023 (which comes into force in October 2024). Specifically supporting the contract management requirements, including setting and publishing KPIs, performance monitoring, contract publication, and publication of performance data.
- Support services to improve contract management by embedding and developing the contract management framework; delivering ongoing contract management training; producing analytics and reports and providing a centrally located resource with ownership for contract management.
- Provide corporate oversight of contract management, reporting on contract performance, supporting the Contract Management Assurance Board and monitoring compliance
- Help with implementation of new technology, particularly contract management functionality

- 5 Work recently undertaken by the Council through a Contract Review and Assurance project has demonstrated that the Council does not always undertake robust contract management and, as a result, the Council is missing opportunities to make savings through its contracts. Improving contract management will not only ensure that the delivery of goods, works and services meets the Council's requirements but will enable the Council to save money.
- 6 The Core Business Transformation Programme is central to the Council realising the changes it needs to make whilst ensuring its core business processes are appropriate for supporting a reshaped organisation. The programme seeks to bring about a transformation in the way sourcing, procurement and contract management activities are undertaken (Source to Contract). Other areas such as Finance, HR and Payroll activities are within the scope of the Core Business Transformation Programme and already undergoing transformation.
- 7 These changes will also support the Council's [Procurement Strategy](#). They will improve value for money by enabling 'innovative procurement practice' and giving procurers more time to spend on activities that matter by eliminating administrative tasks and facilitate a full lifecycle approach through a system which has this capability. A new system will greatly enhance the Council's ability to effectively manage contracts and supplier relationships and potentially boost engagement with SMEs and local suppliers.

What impact will this proposal have?

- 8 No wards will be affected by this proposal.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 9 This proposal will contribute to all three pillars of the Best City Ambition by helping the Council to make best use of its money, people and enhanced digital capabilities.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 10 Engagement has taken place with:

- a) Heads of Finance
- b) Financial Challenge Group
- c) Core Business Transformation Programme Board
- d) Corporate Leadership Team
- e) Soft market testing and supplier demonstrations
- f) Other local authorities and public bodies who have implemented new technology
- g) Internal stakeholders (system users, contract managers, procurers)
- h) Consultation and feedback / peer review from Local Government Association, Local Partnerships, Contract Management Pioneer Programme (CMPP)
- i) Contract Review and Assurance project with Ernst & Young
- j) Unions consulted on 4 posts as part of PACS service review in 2023

- k) Corporate Joint Consultative Committee
- l) Director of Strategy & Resources and Executive Member
- m) Corporate Governance and Audit Committee and Strategy and Resources Scrutiny Board as part of annual reporting of procurement related matters

What are the resource implications?

- 11 The business case estimates costs for the procurement of a Source to Contract platform and the addition of four new staff to be £1.76 million over three years. This cost includes project resources from CBT, PACS and IDS to support the procurement and implementation of a new system.
- 12 System implementation and first year licensing / subscription costs will be funded by Capital receipts with annual costs thereafter built into the medium-term financial plan. The first three years of staffing costs for the four posts being recruited to will also be funded by Capital receipts, given that these staff will be engaged in transformational work in contract management.
- 13 Staffing resources to deliver the project have been plotted based on experience / lessons learned from similar scale projects. A project resource profile for PACS, CBT and IDS staff has been developed and required posts and hours required mapped. Full resource planning will be conducted at commencement of the procurement stage.

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

- 14 A robust procurement process will be undertaken to ensure the Council gets value for money and a system that fully delivers the required functionality. All relevant stakeholders will be involved in the process and in thoroughly reviewing the requirements / specification.
- 15 The successful supplier will be carefully contract managed to ensure that appropriate planning is carried out and the system is delivered within the required timescales.
- 16 A robust contract management plan will be developed and implementation and BAU overseen by the contract manager.
- 17 Regular meeting will be conducted with the successful supplier to review progress and address any risks or issues.
- 18 Staff appointed to the roles in PACS will be provided with robust and structured training to ensure they can provide the degree of support our services need to improve contract management.
- 19 The procurement and implementation of new technology will be carefully project managed through a project plan, risk register, stakeholder engagement, communication plan and issue logs. Budgetary controls will be put in place and regularly reviewed and reported on.
- 20 The project lead will report on progress to the CBT Programme Board.

What are the legal implications?

- 21 This is a Key Decision and is eligible for call-in.

Options, timescales and measuring success

What other options were considered?

22 The Council considered the following options:

Do nothing

- It was determined that doing nothing was a non-viable option that would expose the Council to significant risk and result in missed opportunities to make savings and help address the financial challenge. Without new technology the Council would not be able to comply with the requirements of the Procurement Act that comes into force in October 2024. Failures of compliance, such as improper publication or transparency, could result in financial penalties, contract terminations, reputational damage or legal proceedings.
- Not recruiting new staff to PACS would mean an inability to meet the provisions around contract management in the Procurement Act and again result in a failure to comply that would have highly negative consequences. These staff will be supporting services to meet the requirements of the Act, a burden that services could not meet alone.
- Without additional resource we cannot provide robust training or support for our services or provide corporate oversight of contract performance and risk. As the recent Contract Review and Assurance project demonstrated, there are ample opportunities for the Council to make savings through better contract management. Without staff to support this work we will miss opportunities to save money and our contracts will have poorer outcomes for the citizens of Leeds.

Utilise Microsoft Dynamics

- Utilising MS Dynamics was carefully considered given the Council will be using this platform as its finance system. Using a single system for procurement, requisition, payment and contract management activity would have clear benefits with integrations between each activity.
- However, MS Dynamics does not have procurement or contract management functionality. It has purchasing capability but this is not capable of delivering what the Council requires a Source to Contract system to do, particularly given the complexities of public sector procurement and associated legislative / transparency requirements. Utilising Dynamics to facilitate Source to Contract activity would require building sophisticated functionality from scratch. Resourcing, developing and testing for such a scheme would be more expensive than an off-the-shelf solution and likely require third party developer assistance. This approach would not therefore be a viable solution.

Join with Other Local Authorities to Utilise 'OPEN' System

- The Council explored the possibility of using a new procurement system called 'Open' which has been recently developed by the North East Procurement Organisation (NEPO, a procurement body governed by 12 North-East local authorities). Although this system had some areas of improved functionality in comparison to the Council's current system, it did not have the full Source to Contract capability we require and was particularly lacking in contract management capability.
- The Open system is also currently in a beta version and still undergoing development so there would be a risk the end product would not be suitable for our needs. Additionally, the system has been designed to meet the needs of the 12 participating authorities and in joining such a venture the Council's requirements would likely be diluted through compromise, an issue we face with our current system that was procured through the Strategic Procurement Group with multiple participating authorities. There is also the risk of price increases if participating authorities leave the programme.

How will success be measured?

- 23 A project plan will be developed with key milestones for the procurement and implementation stages. A robust set of requirements will be finalised to ensure the procurement awards a supplier who can meet the Council's needs.
- 24 The successful supplier will be given key milestones and deliverables to meet as part of the contract and required to report on these throughout the implementation period.
- 25 KPIs will be built into the contract to ensure that the new system performs appropriately throughout the life of the contract.
- 26 Improvements in contract management will be measured through score-carding and analytics to ensure the new staff supporting contract management are having the required impact. Risk areas and poor performance will be identified and assistance provided to make improvements.

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

- 27 The aim is to commence the procurement process in August 2025. A minimum of six months will be required for procurement of a new system and a further six months for system implementation (and exit from the current procurement platform). The earliest feasible full system go-live would be August 2025.
- 28 The aim is to recruit new staff to the posts in PACS by October 2024 in readiness for the Procurement Act coming into force.
- 29 The Director of Strategy and Resources will be responsible for delivery of this phase of the Core Business Transformation Programme. The Chief Financial Officer is the programme sponsor. Decisions will be taken in accordance with the Director of Strategy and Resources' sub-delegation scheme, in liaison with Chief Digital and Information Officer in relation to all matters relating to the Council's use of digital technology.
- 30 Oversight and challenge will be provided by the cross-Council CBT Programme Board and subject to independent review by Internal Audit.

Appendices

- Equality, Diversity, Cohesion and Integration screening form
- Data Protection Impact Assessment

Background papers