

APPENDIX A – PROCUREMENT STATEMENT

1. DEFINE AND DOCUMENT

Contracts Procedure Rules

- 1.1 Section 135 of the Local Government Act 1972 requires local authorities to make standing orders for contracts and procurement activity, including securing competition and regulating tenders. The Council satisfies these statutory requirements by way of the Contract Procedure Rules (the CPRs). The CPRs form Part 4(h) of the Constitution.
- 1.2 CPRs are reviewed and updated each year (consulting with Corporate Governance and Audit Committee, service-based commissioners, the Executive Member and Internal Audit) to reflect changes in legislation and Council policy and to ensure that they are up to date and fit for purpose.
- 1.3 Feedback from the annual Survey of Internal Control in response to questions asked in relation the Council's procurement framework suggests that CPRs are effectively communicated, with 92% of respondents considering CPRs to either be "well embedded" or "fairly embedded" (see section 3, below). Further, CPRs are supported by guidance documents available on Insite and the Council's Procurement and Commercial Services team supports higher value procurements and ad hoc queries from officers.
- 1.4 It is also considered that CPRs are routinely complied with as:
 - 1.4.1 There have been no formal legal procurement challenges for nearly 15 years;
 - 1.4.2 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 CPRs, with on-contract and compliant expenditure standing at 95.85% in 2023/24; and
 - 1.4.3 Over a similar time period, the number of times CPRs have been waived has reduced from c200 per year to just 20 in 2023/24.

- 1.5 However, in the context of the recent LGA Peer Review which identified that further improvements to the Constitution and associated procedures could be achieved, stakeholder feedback noted:
- 1.5.1 the complexity of the CPRs and previous updates of CPRs have resulted in an unnecessarily repetitive document that can be difficult for officers to use without relevant training/experience;
 - 1.5.2 while greater flexibility has been built into CPRs in recent years in response to feedback from services, there remains a perception that CPRs are inflexible and that they act as a “blocker”; and
 - 1.5.3 there remains an inefficient over-reliance on PACS officers to support lower value procurements, which diverts energy and resources away from delivering strategic value from procurement.
- 1.6 Consequently, in response to this feedback, one of the actions identified in the Source to Contract Action Plan is to “Review and simplify CPRs and procurement documentation to aid self -service for low value procurements”.
- 1.7 In addition, it is necessary to ensure that CPRs comply with the requirements of the Procurement Act 2024 when it comes into force on 28th October 2024.
- 1.8 Amendments to CPRs are therefore proposed which:
- ensure compliance with the Procurement Act 2023 (including monitoring and reporting duties);
 - provide a clearer, simpler picture of roles and responsibilities;
 - remove unnecessary repetition;
 - remove jargon;
 - remove the ability to waive CPRs (any future failure to comply to be reported as “non-compliance”);
 - update the thresholds which determine the relevant procurement approach to ensure proportionality and balance between flexibility of contracting and appropriate governance controls;
 - reflect the sequential path to awarding a contract;
 - provide for contract management requirements that are proportionate to each particular contract.

Procurement Strategy

- 1.9 The current 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.
- 1.10 The Procurement Strategy promotes a category management approach to procurement. It also advocates a whole lifecycle approach to contracting and defines clear roles and responsibilities.
- 1.11 A review of the Procurement Strategy will commence in Autumn 2024, including assessment of the current position and delivery of KPIs, and review in context of latest national procurement strategy, National Procurement Policy Statement and Procurement Act 2023. This will be followed by stakeholder consultation in respect of the updated Procurement Strategy, and Executive Board approval in mid-2025.

Roles and responsibilities

- 1.12 Each Directorate is accountable for the procurements that they need in order to secure the outcomes they are responsible for.
- 1.13 The Head of Procurement and Commercial Services (delegated from Director of Strategy and Resources) is responsible for setting, supporting and monitoring the Council's policies and procedures for procurement, purchasing and contract management.
- 1.14 Procurement and Commercial Services (**PACS**) provides corporate support and oversight in respect of procurement activity. However, PACS' limited resources are prioritised to supporting high value and complex (from a risk perspective) activity.

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. As noted above, this resource is prioritised to supporting high value and complex (from a risk perspective) activity. PACS provides support in respect of lower value procurements by way of:

- 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;
 - telephone support; and
 - where non-standard terms and conditions are proposed, the requirement that these are vetted through the commercial team within PACS.
- 2.3 PACS also provides pro-active support by way of ad hoc training and updates relating to changes to procurement processes or regulatory/legal requirement etc, identifying and working with services to reduce off-contract spend, identifying procurement savings opportunities, and providing check and challenge.
- 2.4 PACS is in the process of recruiting additional resource to support services in improving their contract management processes and ensuring compliance with the new Contract Management Framework.
- 2.5 In addition, the Procurement Strategy and toolkits dedicated to procurement and contract management (including online training and tutorials) are available on InSite. They are regularly updated, and key changes are further communicated on the InSite carousel.
- 2.6 A cross-council Procurement Practitioner Group (**PPG**) 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.
- 2.7 A Source to Contract Review steering group meets monthly, and feeds updates to the Core Business Transformation Programme board.
- 2.8 A Contract Management Assurance Board has been established to meet quarterly to receive reports as to contract performance and provide monitoring and oversight.

3 EFFECTIVELY EMBED

Procurement tools and documents

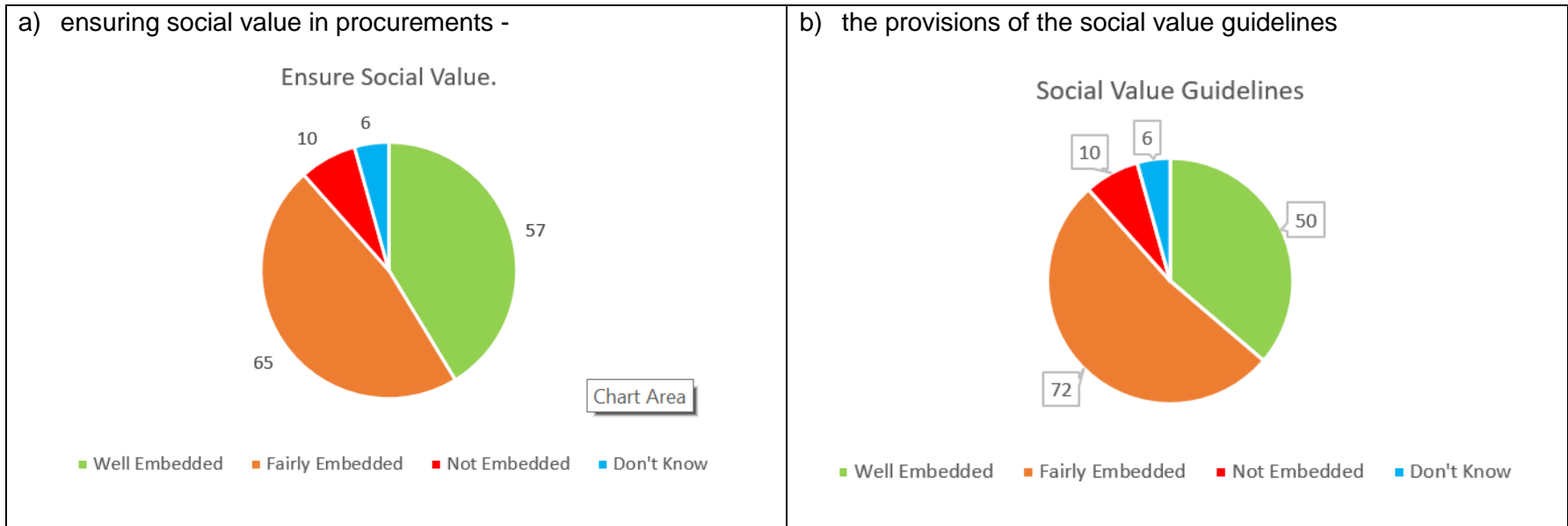
- 3.1 The key procurement delivery documents and tools are refreshed regularly to reflect legislation and Council policy (e.g. incorporating Social Value provisions). Note that these tools/documents are currently being refreshed under the Source to Contract Review to ensure they are user-friendly and are compliant with the requirements of the Procurement Act 2023.
- 3.2 In addition, the Contract Management Framework has recently been launched which introduces:
- Tiering of contracts based on value and complexity/risk. Each tier has a proportionate guiding set of requirements for contract managers to follow;
 - Scorecards issued to contract managers quarterly, allowing them to rate the performance of contract/s across 5 key aspects;
 - Guidance documents, templates and training for contract managers to support with managing contracts; and
 - A Contract Management Assurance Board to take place quarterly as part of BCT: Financial Challenge group to receive reports, monitor and oversee contract performance across the Council.
- 3.3 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.

4 MEANINGFULLY MONITOR

Survey of Internal Control

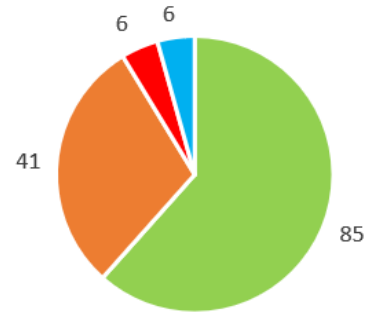
4.1 The survey of internal control (**SIC**) is used to gain operational assurance as to whether systems of internal control are embedded and functioning. Considering whether people in their teams have the relevant knowledge and skills and comply with controls appropriately and proportionately to their individual roles and responsibilities, respondents are asked annually to indicate whether arrangements are well embedded, fairly embedded, not embedded, or the respondent does not know.

4.2 In respect of procurement and social value, questions were asked, and responses received as follows:



c) the provisions of the CPRs -

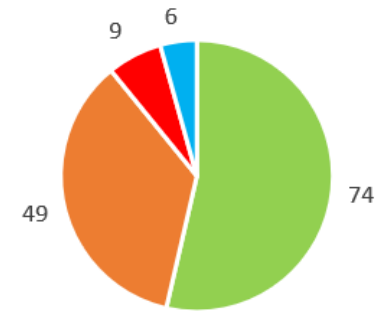
Provisions of the Contract Procedures Rules (CPRs)



Well Embedded Fairly Embedded Not Embedded Don't Know

d) arrangements for contract management

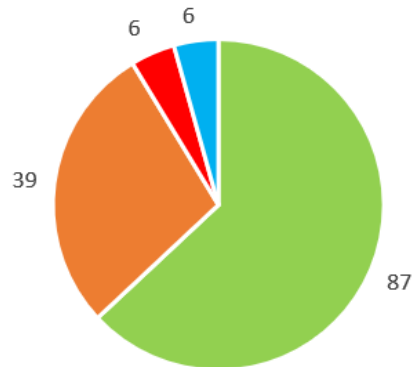
Provisions for Contract Management



Well Embedded Fairly Embedded Not Embedded Don't Know

e) arrangements for obtaining procurement and commercial advice and guidance -

Obtaining advice and guidance



Well Embedded Fairly Embedded Not Embedded Don't Know

4.3 A comparison of 2024 responses to 2023 responses is below:

Question	2023 SIC Responses – Well Embedded/Fairly Embedded	2024 SIC Responses – Well Embedded/Fairly Embedded
1 – Social Value	88%	88%
2 – SV Guidelines	81%	88%
3 – CPRs	92%	92%
4 – CM Arrangements	89%	90%
5 – Obtaining advice/ guidance	92%	92%

Compliance: On-contract Spend

4.4 The Council procures a very wide range of goods, works and services, including front-line services and back-office support.

4.5 External spend in 2023/24:

- In aggregate was £1,150,447,317, a c£29m increase on the preceding year;
- 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;
- 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. Influenceable 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.

- 4.6 As well as ensuring good governance practices and compliance, delivering spend which is “on contract” (and reducing reliance on waivers of CPRs) helps ensure efficiency and value for money in the Council’s contracting activity. PACS produces monthly and quarterly reports detailing non and off-contract spend, and these reports are used to inform monthly meetings between PACS Category Managers and directorate contacts. Bespoke reporting is available upon request and utilised as a mechanism to further assist services.
- 4.7 This has maintained off contract spend at minimal levels compared to total spend and ensured general compliance with CPRs. 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.

Compliance: Waivers

- 4.8 CPRs currently 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.
- 4.9 Issues relating to the inappropriate use of waivers of CPRs have been the subject of scrutiny by the Committee over many years, with over 200 waivers per year being typical in previous years. However, PACS has supported services to reduce the numbers of waivers each year. In 2023/24, the number of waivers of CPRs reduced further to just 20 (down from 23 in 2021/22). 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.
- 4.10 Given the reducing reliance on waivers, the flexibility built into CPRs and support availability to facilitate compliance with CPRs, it is proposed that the ability to waive certain CPRs be removed (see paragraph 1.8). Compliance with CPRs will continue to be monitored and any future failure to comply to be reported as “non-compliance”.

Procurement Challenges/Transparency

- 4.11 There have been a number of requests for additional information in response to standstill letters, however none of those have developed into formal proceedings challenging decisions by the Council on award of contracts.

- 4.12 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 by 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.
- 4.13 PACS also receives and responds to a significant number of procurement related FOI requests each year.

Social Value

- 4.14 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.
- 4.15 Expenditure with local suppliers and SMEs has been measured for several years and equates to 67.1% of total expenditure in 2023/24 (an increase from 63.4% in the previous year). In addition, 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. The aim is to develop Leeds-wide social value priorities to be utilised by all anchors.
- 4.16 The Council's 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 a tender process.
- 4.17 A Council-specific set of Social Value priorities (themes, outcomes and measures) has been developed (based around: Employment and Skills, the Environment, and Education) to facilitate development/evaluation of Social Value requirements for procurements.
- 4.18 To date:
- 4.18.4 There are 124 live contracts with specific additional social value commitments;
 - 4.18.5 These forecast an aggregate value of c.£145m of additional social value; and
 - 4.18.6 Over £10m of additional social value has actually been delivered to date.

Leeds City Council - social value analysis tool: 1. OUTCOMES



Explore the range of projects, outcomes, impact and social value

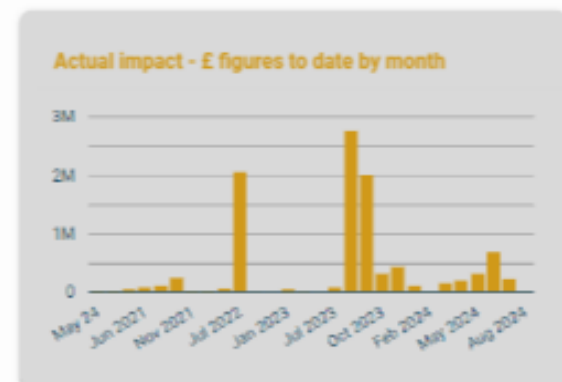
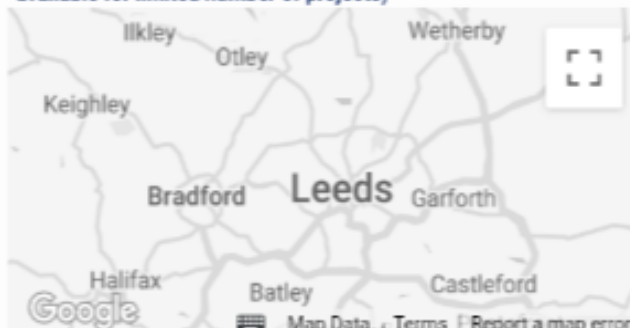
Interactive dashboard of project social value

- Project -
- Directorate -
- Indicator description -
- Type -
- Stakeholder type -

Total impact forecast - all projects
£145.38M

Actual impact - to date
£10.21M

Forecast impact by location (NB - location details only available for limited number of projects)



Total projects and projects reporting an impact to date

Total projects added to SVE
124

Projects reporting impact to date
34



Impact: Forecast vs actual by project

Project	Forecast/Actual / Impact	
	Forecast	Actual
73585 - Leeds Building Services - Planned Plastering	£63.24M	-
76954 The supply of frozen, chilled and grocery produce	£23.66M	-
TO FINISH 1875 BLOCKSHOP & ROOF KIRKGATE	£7.2M	£2.06M
East of Otley Relief Road JOHN SISK & SON	£3.88M	£158.11K
62674 LOT 3 GAS FUELLED DOMESTIC HEATING CITY WI...	£3.22M	£164.8K
CLUSTERING FOR WARMTH CENERGIST CLUSTER 3 POP...	£623.45K	£2.61M
Supply of Linen Hire and Laundry Services	£2.59M	-
Grand total	£145.38M	£10.21M



Forecast Impact by indicator

Description	Unit	Quantity	Impact -
Year 2 NT28 - Provide direct support (e.g. funding, provision of facilities or in kind donations) to community-led initiatives, organisations and projects local	No. people FTE	2K	£62.92M
NT1 No of local Employees	No. people FTE	796	£25.04M
NT18 Total amount (£) spent in LOCAL supply chain through the contract	£	36.3M	£9.08M
NT31 - Savings in CO2 emissions on contract achieved through decarbonisation	Tonnes CO2e	20.8K	£5.08M
NT18 - Total amount (£) spent in LOCAL supply chain through the	£	12.1M	£3.02M

5 REVIEW AND REFINE

- 5.1 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. The Council's Head of Procurement is SPG joint-chair.
- 5.2 Further regional collaboration and sharing of best practice is undertaken in relation to the White Rose suite of Children's services framework contracts (which the Council manages) and the YORhub suite of regional construction and consultancy framework contracts (in relation to which the Head of PACS is Chair of the partnership board).
- 5.3 Internal audit review/report on a small number of procurements each year, and the ongoing training and support provided to directorates offers further assurance around monitoring of compliance.
- 5.4 Annual procurement related reports are provided to this Committee and Strategy and Resources Scrutiny Board. Quarterly reporting as to contract performance will be provided to the Contract Management Assurance Board as part of BCT: Financial Challenge.
- 5.5 Procurement related questions form part of the annual SIC – see section 4.

Procurement Strategy

- 5.1 The Procurement Strategy was adopted in June 2019, and is kept under continual review, with a formal review updated Procurement Strategy scheduled for consultation in Autumn 2024, with a view to implementation of a new Procurement Strategy in mid-2025.
- 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 in place and development opportunities identified as part of the appraisal process;
 - 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. A

business case has been approved for a new Source to Contract system, with a view to the new system being operational by mid-2025;

- 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. Opportunities will be considered for greater innovation as a consequence of the added flexibility under the new Procurement Act;
- 5.2.4 Embedding change - senior managers are encouraged to recognise the importance of procurement and contract management (including Social Value) 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 and to ensure that contracts are effectively managed, to help respond to the Council’s financial challenge. As noted at section 3, SIC responses demonstrate that change in relation to social value and contract management is generally considered well/fairly embedded.

Source to Contract Review

- 5.3 One of the ambitions of the Core Business Transformation Programme (**CBT**) is to procure and implement modern integrated cloud technology to exploit digital capability, and to drive down costs and achieve better value for money through efficient and standardised practices in relation to all activities relating to sourcing and contracting (**Source to Contract**).
- 5.4 Source to Contract includes all processes and systems from procurement, through contract management, to payment. The Source to Contract function is not currently recognised as one end-to-end, integrated business function in Leeds. However, it is a critical business process, involving significant spend and cashflow.
- 5.5 A review of the Source to Contract function (the **Source to Contract Review**) is currently underway to improve system capabilities, which has been informed by (amongst other things) an LGA facilitated peer review in June 2021. This has most recently culminated in the approval of a Source to Contract business in relation to procurement of a new Source to Contract system and resource.
- 5.6 The Source to Contract action plan is set out below identifying 6 priority areas, key deliverable tasks and key delivery dates:

Key: **Green** = complete; **Yellow** = on target; **Red** = Yet to commence

PRIORITY	TASKS	KEY DATES
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1. User Friendly Processes	PHASE 1 <ul style="list-style-type: none"> Review and simplify CPRs and proc documentation to aid self-service for low value procurements. 	Start – 1/9/23. Complete – 28/10/24
	PHASE 2 <ul style="list-style-type: none"> Continuing review to take account of flexibility anticipated under new Procurement Act 	Start – 1/4/24. Complete – 28/10/24
	PHASE 3 <ul style="list-style-type: none"> Develop app solution for low value procurements. 	Start – 1/11/24. Complete – 30/6/25
2. Fit for purpose system	PHASE 1 <ul style="list-style-type: none"> Assess available whole-contract lifecycle technology; Scope requirements; Finalise business case for whole-contract lifecycle system. Report EY contract management project output 	Start – 1/9/23. Complete - 31/8/24
	PHASE 2 <ul style="list-style-type: none"> Procure and implement fit for purpose system. Dovetail with a) other available LCC systems (including Microsoft Dynamics and Power BI) and b) YORtender3 review/expiry. 	Start – 1/9/24. Complete – 31/12/25
3. Organisational Resource Review	<ul style="list-style-type: none"> Review organisation’s approach to procurement resource including: <ul style="list-style-type: none"> Centralisation/more flexible utilisation of procurement resource Review of categories Council-wide review of procurement skills and capabilities Review of corporate operational support team – purchasing, invoice, data and contract management Review Procurement Practitioners Group (attendees, frequency, purpose etc) 	Start – 30/10/23. Complete – 31/3/25

Key: **Green** = complete; **Yellow** = on target; **Red** = Yet to commence

<p>4. New Procurement Strategy</p>	<ul style="list-style-type: none"> • Assess current position (including resource – see above) and delivery of KPIs. • Review in context of latest national procurement strategy, NPPS and Procurement Act • Review category management processes. • Stakeholder consultation • Exec Board approval mid-2025 	<p>Start – 1/11/24. Complete – 30/6/25</p>
<p>5. Contract Management Best Practice</p>	<p>PHASE 1</p> <ul style="list-style-type: none"> • Review contract register. • Develop contract management best practice framework and guidance. • Develop and embed contract management skills across LCC. • Establish contract management assurance board (via financial challenge group) • Review process for market and supplier engagement including market intelligence/benchmarking. 	<p>Start – ongoing. Complete – 31/8/24</p>
	<p>PHASE 2</p> <ul style="list-style-type: none"> • Continually monitor and review contract management outcomes • Delivery and reporting of contract management framework outcomes. 	<p>Start – 1/4/24. Complete – 31/3/25</p>
<p>6. Social Value and local partnerships</p>	<ul style="list-style-type: none"> • Delivery and reporting of SV outcomes. • Develop examples of SV successes to inform/inspire. • Implementation of SV Fund • Leeds-wide SV TOMs (engage with anchors/third sector) • Increasing local spend • Engaging with SPG/YORhub – procurement alignment/SV support to partners/maximising YORhub income opportunities 	<p>Start – ongoing. Complete – 31/3/25</p>

Procurement Act 2023

5.7 The Procurement Act 2023 will come into force from 28th October 2024.

5.8 Key changes arising from the Procurement Act 2023:

- Procurement Processes – The current regulations detail 7 procurement processes that may be followed in particular circumstances, with varying degrees of complexity. These procedures are being reduced to 3 procedures, 2 of which (open, and direct award) essentially reflect existing procedures. The third is a new “competitive flexible” process which allows authorities to design their own proportionate procedure(s) to suit the particular circumstances. Clearly this flexibility has the potential to allow innovation in procurement, but the current lack of a legislative framework around this process means that the Council will need to very clear in its documentation precisely how any competitive flexible procedure operates. In order to ensure governance/control and efficiency in procurement processes, it is intended that we will develop a set of “approved” processes and relevant pro-formas, though with the potential to develop bespoke approaches on an exceptions basis with support from PACS.
- Notices – Currently notice obligations are focused on the commencement and conclusion of procurement activity. The new legislation seeks to achieve greater transparency in procurement and contracting and requires various notices to be published throughout the whole contract lifecycle (including in relation to contract variations, termination and supplier performance). Active contract management will be essential to collect and report the necessary data, and suppliers will have an interest in what data is published and how it is presented.
- Contract Management – The current regulations include very little in relation to the operational phase of a contract. The new legislation includes obligations to publish a wide variety of notices and performance related data, and for contracts valued above £5m contracts must include at least 3 KPIs that are reported on annually and the contracts themselves must also be published. This presents an increased risk of challenge throughout the operation of the Council’s contracts and requires the application of adequate resource and oversight.
- Debarment – Current regulations already include mandatory and discretionary grounds for excluding suppliers. In addition, the new legislation provides for a central debarment list of all suppliers who have been excluded or are excludable. Discretionary grounds for exclusion include in relation to labour market misconduct, environmental misconduct and breach of contract/poor performance. Given the broader implications of debarment for the supplier, any decision to exclude a supplier will have to be well founded and may be contentious.

- Contract award/challenge – The opportunity for unsuccessful bidders to challenge under the new legislation is similar to the current position. However, the information that must be provided to bidders has been changed and includes providing unsuccessful bidders with copies of the feedback provided to the successful bidder. While we already seek to ensure that any feedback is accurate and appropriate, this additional obligation underscores the need for diligence in this part of the process.

5.9 The Council has established a Procurement Act 2023 working group to consider implications of the new legislation for the Council and any necessary changes in the working practices/policies (including CPRs), as well as ensuring that relevant staff have access to appropriate training:

December 2023	presentation giving an overview of main changes under Procurement Act 2023 delivered by PACS Legal to procurement officers.
March 2024	Procurement Act Working Group set up to look at implications, pipeline of changes, project plan, etc.
March 2024 onwards	<ul style="list-style-type: none"> - Opportunities for training webinars delivered by private organisations notified to staff. - Officers involved in procurements required to watch the 10 Government “Knowledge Drops” on YouTube, aimed at contracting authorities. - Three procurement officers enrolled on the 3-day deep-dive training by Government Commercial Function (train the trainer approach, with feedback from attendees to other LCC procurement officers). - Folder setup on SharePoint with training materials, flowcharts, Cabinet Office guidance, etc. continually updated.
17th September 2024	high-level briefing to Executive Member, and Director of Strategy & Resources
Sept/Oct 2024	<p>LCC specific training materials developed for internal teams to be rolled-out covering the following:</p> <ul style="list-style-type: none"> - In depth knowledge - Need to know essentials. - Contracts below £100k - Senior leaders training.

5.10 As noted above, the Source to Contract business case will facilitate procurement of a new system that will (amongst other things) help respond to the Council’s statutory obligations under the new legislation.