

Report of the Chief Officer PPPU and Procurement

Report to Corporate Governance and Audit Committee

Date: 27 February 2012

Subject: Transforming Procurement Programme Position Statement

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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The council is seeking to reduce expenditure and to improve value for money in the goods, works and services that it buys. This expenditure equates to approximately one-third of the council's revenue budget and almost its entire capital budget. Over the past few years, the council has taken a number of steps to improve its procurement outcomes and the processes used.
2. Following the transfer of the procurement function to Resources Directorate, a review workshop was held with senior officers, and a 'Transforming Procurement Programme' was established. Work to deliver the programme is now underway, with the aim of establishing sustainable economy, efficiency and effectiveness in the council's buying activities, taking account also of the council's wider policy objectives. The programme has three principal workstreams – strategy, pilots, and business.
3. The current draft ambition is for the council to "deliver the best commissioning, procurement and contracting in the country, where:
 - We achieve value for money for the public;
 - We support the delivery of quality outcomes for service users;
 - We support the wider ambitions of the council and its partners;
 - Providers want to deliver for Leeds;
 - Procurement professionals want to work for Leeds; and
 - We are recognised nationally as a centre of excellence".

Recommendations

4. That members of the Corporate Governance and Audit Committee note and comment on the contents of this report.

1 Purpose of this report

- 1.1 To inform members of the Corporate Governance and Audit Committee of progress with respect to the Transforming Procurement Programme and invite comments on the contents of this report.

2 Background information

- 2.2 The council is seeking to reduce expenditure and to improve value for money in the goods, works and services that it buys. This expenditure equates to approximately one-third of the council's revenue budget and almost its entire capital budget.
- 2.3 Over the past few years, the council has taken a number of steps to improve its procurement outcomes and the processes used. Whilst there are elements of good practice, there remains inconsistency in our approaches to procurement and to contracting, and a need to improve our systems and information. There is room for improvement in managing demand and in managing contracts, and a need to improve our skills and capacity.
- 2.4 Following the transfer of the procurement function to Resources Directorate, a review workshop was held with senior officers, and a 'Transforming Procurement Programme' was established.
- 2.5 A programme Board has been formed, chaired by Alan Gay and with senior officer representation from across the council, to provide overall direction and ensure that appropriate governance is in place. A team has been formed to deliver the programme and comprises staff from the council's Public Private Partnerships Unit (PPPU) and Procurement Unit, working with colleagues from across the council.
- 2.6 Work to deliver the programme is underway, with the aim of establishing sustainable economy, efficiency and effectiveness in the council's buying activities, taking account also of the council's wider policy objectives. The programme has three principal workstreams – strategy, pilots, and business.
- 2.7 The programme is building upon existing good practice within the council and nationally, and will seek to address issues raised, including the recommendations contained in internal audit reports relating to the council's procurement practices.

3 Main Issues

Strategy

- 3.1 The strategy is building on the principles that the council's buying activities should:
- Work to common principles and rules, but allow appropriate tailoring to take account of different categories of spend, contract values, risk profiles, and market maturity;
 - Build on specialist expertise and good practice within directorates, and provide appropriate central support, ensuring an appropriate mix of skills, knowledge and experience, blending service expertise with procurement, project management, legal and financial expertise;

- Ensure appropriate means to recruit, retain and develop the buying skills and capacity of our people; and improve our systems and information, including our processes and technology;
 - Reflect a whole lifecycle approach to buying, from identification of service need, through procurement, to contract management and then exit;
 - Ensure appropriate governance, ownership, assurance, and check and challenge, incorporating openness and transparency.
- 3.2 The strategy is centred on a category management approach to buying. Category management is a widely adopted method of buying, which groups together related purchasing, to optimise quality and maximise savings. In addition to the benefits of “bulk buying”, it can facilitate better intelligence of buying needs and of what providers have to offer. It can also assist in improving accountability and outcomes.
- 3.3 The programme team is seeking to capture and build upon expertise and examples of best practice which are available within the council and nationally, and from the public, private and third sectors. This information is being distilled into draft processes and documentation for Leeds, including guidance, templates and training materials, which are being trialled through pilots (paragraph 3.6 below).
- 3.4 Procurement governance arrangements will be clearly defined through the strategy, and existing processes and documentation will be refreshed or replaced as appropriate. It is anticipated that Contracts Procedure Rules (CPRs) will be revised to align with the new approach.
- 3.5 A ‘beta version’ of the strategy will be submitted to the Transforming Procurement Programme Board for approval in March 2012. Following approval, the strategy will begin to be implemented whilst further work is undertaken to refine the documents and ensure a clear fit with wider council policies and procedures. A final ‘go-live’ version will be submitted for approval to the council’s Executive Board in March 2013, to be adopted council wide in April 2013.

Pilots

- 3.6 Twin-tracking strategy and process development with live pilot projects aims to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner. The pilots will assist in refining the category management model for Leeds, ensuring an appropriate ‘fit’ with the council’s wider objectives and methods of working.
- 3.7 A pilot of the approach has commenced within Children’s Services. Work is underway to review service needs and pressures, and to develop and implement solutions, particularly with respect to Looked After Children (the single largest area of spend within the directorate).
- 3.8 A second pilot is being formed to undertake a similar process within Housing Services, focused particularly on management of existing contracts.

Business Management

- 3.9 The Chief Officer Public Private Partnerships Unit is now undertaking the strategic roles of the Chief Procurement Officer. The Procurement Unit has moved to sit alongside the PPPU, and opportunities are being identified to share resources and expertise. Work to develop the Procurement Unit's internal staff and budget management systems is progressing.

Other

- 3.10 Work is ongoing with service directorates and suppliers to reduce the prices of existing contracts, to conduct new procurements, and to address off contract spend. Work is also ongoing to improve the council's procurement information systems.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Consultation is being undertaken to identify examples of best practice and lessons learned, and to better understand stakeholder aspirations and the barriers they face within the procurement and contracting process.
- 4.1.2 This includes engaging with commissioning and procurement staff across the council and others in related roles such as audit, finance and human resources.
- 4.1.3 The team is now embarking on wider consultation with the private and third sectors, to ensure their views are considered within the programme.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no specific implications with respect to the programme.
- 4.2.2 The programme team will work with colleagues from the council's Equality Team, to confirm whether our current buying processes appropriately address these matters or identify and implement areas for improvement.

4.3 Council policies and City Priorities

- 4.3.1 The programme supports the council value of 'spending money wisely' and will reflect council policies and city priorities. For example, work has recently been undertaken to review and improve how our contracting arrangements can support jobs and skills in the economy.

4.4 Resources and value for money

- 4.4.1 It is anticipated that costs of delivering the programme will be internal staffing costs, predominantly staff from Procurement Unit and the PPPU, but also from staff in other directorates that wish to engage as 'early-adopters'.
- 4.4.2 The programme aims to ensure that value for money is considered at all stages in the buying lifecycle. The programme team will work with colleagues in the council's Finance Team, and also the Purchase to Pay Team, on these matters. In addition the programme aims to test and clarify the council's buying skills and capacity and will review available learning and development opportunities.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The programme aims to test and clarify the council's current buying processes to ensure that they consistently meet all appropriate legal requirements in a proportionate and sustainable manner.

4.6 Risk Management

- 4.6.1 The programme operates in compliance with the council's risk management policy. A programme risk register captures risks identified at a programme level and is informed by risk registers owned and maintained by the separate workstreams.
- 4.6.2 The programme team will work with colleagues in the council's Risk Team to confirm whether current buying processes appropriately identify and manage risk or identify and implement areas for improvement.

5 Conclusions

- 5.1 The council is seeking to reduce expenditure and to improve value for money in the goods, works and services that it buys. Work is being undertaken to achieve procurement savings.
- 5.2 A Transforming Procurement Programme has been formed to drive strategic and systematic change to our buying activities to deliver economy, efficiency and effectiveness which is sustainable for the long term.
- 5.3 There is broad support from those engaged in procurement across the council to the proposal to adopt a category management approach to buying.
- 5.4 The programme is seeking to capture and build upon expertise and examples of best practice which are already available within the council, and is taking opportunity of guidance and examples which are available nationally.
- 5.5 Twin-tracking strategy and process development with live pilot projects aims to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner. The pilots will assist in refining the category management model for Leeds, ensuring an appropriate 'fit' with the council's wider objectives and methods of working.
- 5.6 Developing the council's underlying capacity to deliver best practice commissioning, procurement, contracting and purchasing, is running in parallel, starting with support to enhance efficiency within Procurement Unit itself.

6 Recommendations

- 6.1 That members of the Corporate Governance and Audit Committee note and comment on the contents of this report.

7 Background documents

- 7.1 [LCC Procurement Strategy 2011-15](#)