

**Report of the Chief Officer PPPU and Procurement**

**Report to Corporate Governance and Audit Committee**

**Date: 19 March 2013**

**Subject: Transforming Procurement Update**

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

**Summary of main issues**

1. Leeds City Council is seeking to reduce expenditure and to improve outcomes and value for money from the goods, works and services that it buys.
2. A Transforming Procurement Programme has reviewed how the council undertakes procurement, with extensive research and consultation to capture best practice and to understand stakeholder aspirations.
3. The programme is proposing that the council adopts a refreshed procurement policy, centred on a category management and a whole lifecycle approach to procurement, with clear accountabilities, structured governance and assurance, and incorporating openness and transparency.
4. The refreshed approach seeks to secure a range of benefits for the council – improved outcomes, improved value for money and savings, improved governance and assurance, improved engagement and transparency, and improved support for the council's wider ambitions. The approach has identified savings in excess of £6m in 2012/13 and a further £4m in 2013/14. When taken over the life of the contracts to which these figures relate, the forecast savings are £20 million.
5. The refreshed approach is planned to be presented to Executive Board in April 2013.

**Recommendations**

6. That members of the Corporate Governance and Audit Committee note and comment on the contents of this report in advance of its submission to Executive Board.

## **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 in advance of its submission to Executive Board.

## **2 Background information**

- 2.1 The council is seeking to reduce expenditure and to improve outcomes and value for money in the goods, works and services that it buys.
- 2.2 The council currently spends £800 million externally each year. It has 3,000 recorded contracts and makes payments to 5,000 providers. Some contracts are with a single provider, while others are frameworks with multiple providers. There is also some expenditure which is undertaken through simple purchase orders.
- 2.3 The council procures a very wide range of goods, works and services, including amongst others, foster care, home care, homelessness support, energy, vehicles, catering products, seeds, building works, highways, and IT software.
- 2.4 Each Directorate undertakes the procurements they need to deliver the services and outcomes that they are responsible for, including in some cases joint procurement with partners such as the health service. They prepare the specification and the evaluation criteria, and take the decisions on the proportion of the budget to be allocated to the contract and which organisation to award the contract to. They are then responsible for managing the contract.
- 2.5 The Corporate Procurement Unit provides support to Directorate colleagues undertaking procurements and provides advice on good practice in procurement and contract management, and on council policy and legislation relating to public procurement.
- 2.6 Following the transfer of the Corporate Procurement Unit to Resources Directorate in 2011, a Transforming Procurement Programme was formed, to review how the council undertakes procurement, with the aim of establishing sustainable economy, efficiency and effectiveness, and to ensure also that procurement activity takes account of the council's wider ambitions.
- 2.7 The programme has sought to capture and build upon expertise and examples of best practice which are available within the council, locally and nationally, and to respond to feedback received through wide ranging consultation. This has included discussions with the public, private and third sectors, and a review of recommendations contained in scrutiny reports and internal audit reports relating to the council's procurement practices.
- 2.8 The programme has been twin-tracking strategy development with pilot projects to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner.

### **3 Main issues**

#### **Strategy**

3.1 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 of all sizes and from all sectors want to deliver for Leeds;
- Procurement professionals want to work for Leeds; and
- We are recognised nationally as a centre of excellence”.

3.2 A refreshed procurement policy has been developed to support the delivery of the ambition. It proposes:

- A category management approach, where related purchasing is grouped together to take advantage of better intelligence of buying needs and of what providers have to offer, and to support bulk buying where appropriate, in order to improve quality, savings and efficiency;
- A whole lifecycle approach, which starts from assessing needs and analysing options, through preparation and procurement, to mobilisation, contact management and exit, to ensure quality outcomes and value for money are achieved;
- All categories work to common principles and rules, but outputs are tailored to meet the needs of the specific category, reflecting the service area, stakeholder needs and the market place, to ensure quality outcomes and value for money are achieved;
- Building on expertise within directorates and providing appropriate central support and check and challenge, ensuring lessons are learned and shared, in order to ensure continuous improvement in the council’s procurement activities;
- Clear ownership and accountability, structured governance, and assurance to support timely and auditable decision making;
- Openness and transparency, with a visible and accessible contracts register and procurement pipeline, robust management information, and clear tender processes and documentation, to ensure a positive and professional relationship between the council and its procurement partners and confidence in our approach from the people of Leeds;

- Consultation and engagement, to ensure procurements properly reflect need and opportunity, and take account of the wider context, including the council's plans and strategies, locality working and collaboration with others;
- Develop the procurement skills and capacity of our people, to ensure we deliver a world class service.

3.3 The strategy set out in paragraphs 3.1 to 3.2 above was considered by Corporate Governance and Audit Committee at its meeting on 27 February 2012. Since then, officers have been testing this approach through pilots and developing supporting documents to assist in implementation.

### **Documents**

3.4 The programme has developed a suite of recommended template documents and toolkits. These reflect the strategy outlined above, capture current best practice and are designed to replace more traditional guidance documents. They are recommended to be used as tools to assist in the process, and to be used at a level which is proportionate to the value, complexity and risk of the category or procurement being delivered. They can assist those undertaking procurements to plan and deliver procurements and contract management in a robust and structured manner, supporting improved outcomes and value for money.

3.5 Where directorates already have equivalent documents in place, or where the council is undertaking a procurement jointly with another partner such as health, or where the procurement is subject to specific equivalent requirements from funders such as central government, the chief officer accountable for the procurement will take the decision whether to use those alternative documents or the council's recommended documents, or a combination.

3.6 Each of the planning and delivery documents includes management of risk, benefits and lessons, has clear accountabilities and governance, and includes for consultation with relevant elected members and identified stakeholders appropriate to the category.

### **Pilots**

3.7 The programme has been twin-tracking strategy and process development with live pilot projects to speed up the implementation of change, whilst also ensuring lessons learned are fed back in a timely manner.

3.8 Pilots have now been established for each area of the council's expenditure: Children and Young People, Adults and Health, Construction and Housing, Facilities Management and Transport, Environmental, and Business and Professional. Each pilot is being resourced through pooled teams of staff from PPPU and Procurement Unit, who work with commissioning colleagues in directorates. Each category team reviews service needs and pressures, and current expenditure and procurements, in the category. Opportunities, issues and risks are identified, forward plans are resourced and prioritised, and action is taken to address identified priorities.

- 3.9 The Children's Category Team was the first pilot to start. Working with colleagues in Children's Services the team has mapped current contracts and known future procurements, agreeing priorities and resourcing. Working in this way the team, together with directorate colleagues, has secured a number of 'quick wins', reducing in-year expenditure and procuring new contracts which aim to secure better outcomes for looked after children at reduced cost. The newest teams (Environmental and Business and Professional) are at the initial mapping and planning stage.

### **Regional Working**

- 3.10 Opportunities are being taken to share best practice and lessons learned with procurement colleagues from across the region. In addition to regular monthly meetings hosted in Leeds, opportunities for collaborative procurement continue to be explored and implemented where this is found to improve value for money. Highlights include the 'Public Service Network' IT project and combined procurements for children's social care including fostering and residential care. These opportunities are delivering benefits for Leeds and the wider region, and have been welcomed by the organisations tendering for the work.

### **Business Information**

- 3.11 In order to drive improved value for money, it is important for the council to have a clear understanding of its procurement activity and performance, to benchmark against others and to identify and respond to key trends.
- 3.12 The programme has piloted a suite of management information tools to support this and will develop and roll out the approach in the new financial year. This includes a savings tracker, a procurement calendar, a contracts register, a supplier database, and an off-contract spend tracker. These tools are still in development, but are already helping staff to identify and take action on key trends and priorities, for example in reducing off-contract spend to less than 2.5% of the value of orders placed.
- 3.13 The council is now using a new, improved, electronic tender system. 'YORtender' is a regional facility shared with all local authorities in the Yorkshire and Humber region. Work to migrate to the new system is complete, including training and registration for suppliers. Further training and fine tuning is currently underway.
- 3.14 Work is also being undertaken to review and refresh the council's approaches to information publishing and also data protection with respect to procurement.

## **4 Benefits**

- 4.1 In delivering the ambition we will seek to realise a range of benefits for the council from its procurement activities: improved outcomes, improved value for money and savings, improved governance and assurance, improved engagement and transparency, and improved support for the council's wider ambitions. Specific targets are currently being developed for inclusion in the proposed report to Executive Board.

## **Value for money**

- 4.2 To support categories and procurements to secure best value for money, the programme outputs place focus on planning ahead and understanding the required outcomes, risks and benefits, and the budget, 'market place', and cost drivers.
- 4.3 Working jointly with directorates, effective procurement advice and expertise can result in significant opportunities to realise cashable savings. The approach has identified potential cashable savings in excess of £6.3m in 2012/13 and a further £4.4m in 2013/14. When taken over the life of the contracts to which these figures relate, the forecast savings are £20.2 million. Targets for future years will continue to be developed as part of the annual budget cycle, and savings opportunities will be tracked on a monthly basis.
- 4.4 The pilot category teams are also now working with directorates to review existing contracts and to reduce off-contract and non-contract spend.
- 4.5 Non-cashable savings, or cost avoidance, is also important in supporting the council's overall budget strategy, for example where by having implemented good procurement controls or contract management a price increase has been avoided or we receive more from the contract. It is difficult to quantify these savings and by definition they are not usually 'cashable' from a budget perspective. Nevertheless they do demonstrate the value added by effective procurement intervention and improve value for money.

## **Quality outcomes**

- 4.6 To increase the extent to which the council's contracts deliver the outcomes required, programme outputs support clear identification of outcomes and improved tender, contract and contract management documents and processes.
- 4.7 In addition, the programme outputs include a focus on contract and procurement risk management and assurance to seek to ensure that desired outcomes are achieved, to reduce the probability and impact of challenge, to reduce the amount of time spent on 'fire fighting', and to seek to ensure that the council is not exposed to unexpected costs or other unintended consequences from a procurement.

## **Wider ambitions**

- 4.8 To improve the consistency and transparency of the council's requirements for 'added value' from its procurement activity, the programme outputs support clear consideration of the council's wider ambitions when undertaking procurements and improved tender, contract and contract management documents to reflect these, for example requirements on employment and skills opportunities and other aspects of social value such as community benefit, environment, ethical and fair-trade, and equality.

- 4.9 The outputs from the programme also seek to support the council's values, particularly spending money wisely, but also working as a team for Leeds, being open, honest and trusted, working with communities, and treating people fairly.

#### **Providers of all sizes and from all sectors**

- 4.10 It is important that the council ensures that the best provider is identified for each contract, including small and medium sized enterprises (SMEs) and third sector providers.
- 4.11 The programme has received feedback from representatives from the third sector and private sector, including SMEs, and is seeking to reflect those views in the new approaches, including consideration of dividing procurements in to lots, approaches to supporting prompt payment of sub-contractors, and improved transparency in the council's procurement processes and procurement pipeline. We will continue to work with these representatives to identify further options for improvement and will work with regional colleagues to streamline pre-qualification and tender processes and documentation.

#### **Procurement professionals**

- 4.12 To deliver a world class procurement service requires appropriately skilled and experienced staff. Core training will be provided for all relevant staff, including informal coaching and training, and more formal training through CIPS (the professional body) and QA (the council's training provider).
- 4.13 Procurement and commissioning staff across the council will also continue to share issues, lessons, best practice and innovations.

#### **Recognised nationally**

- 4.14 A strong national reputation can help the council and its partners to secure further funding and freedoms. The programme has sought to capture best practice and once fully implemented should see Leeds once again at the forefront in public procurement.

### **5 Implementation**

- 5.1 If the new approach outlined above is approved at Executive Board in April, the strategy and supporting documents will be finalised, replacing all current LCC policies and procedures relating to procurement, and will be made available through the intranet and internet.
- 5.2 The pilot category teams will be firmed up and will continue to work with directorates to develop category plans and ensure all current contracts and planned future procurements are identified, recorded and resourced, with priorities identified and actioned. Work to develop management information reporting will continue, and the new strategy will be kept under review to ensure it incorporates lessons learned and responds to the 2014 refresh of European procurement rules.
- 5.3 There will be continued engagement with key stakeholders, and independent audit and assurance will be sought to challenge and test on a sample basis both

the system as a whole and compliance with it, in order to identify (and correct) any remaining weaknesses.

- 5.4 It is anticipated that it may take up to two years to achieve a 'steady state' in the council's new approach to procurement, to ensure that the improvements in planning and delivery are embedded in day-to-day working practices, and to ensure the council has the capacity and capability to deliver good procurement and be best in class.

## **6 Corporate Considerations**

### **6.1 Consultation and Engagement**

- 6.1.1 There has been extensive internal and external consultation throughout the Transforming Procurement Programme. Over 250 consultation meetings have been held to better understand stakeholder aspirations and the barriers they face within the procurement and contracting process. This includes engaging with commissioning and procurement staff across the council and others in related roles such as audit, finance and human resources. The team has also engaged with representatives from the private sector and the third sector, to ensure their views are considered within the programme, and has sought information from other local authorities on their approaches to procurement and the lessons they have learned.
- 6.1.2 In addition, the programme team has undertaken an extensive review of over 400 published best practice documents that are available locally and nationally, from the public, private and third sectors, and has reviewed recommendations contained in scrutiny reports and internal audit reports relating to the council's procurement practices.
- 6.1.3 The draft strategy was presented to Corporate Governance and Audit Committee in February 2012, specific elements have been considered at Sustainable Economy and Culture Scrutiny Board, briefings have been held with the Executive Member for Neighbourhoods, Planning and Support Services, and all elected members were invited to a briefing in February 2013. Comments from these briefings have been incorporated into the strategy and supporting documentation.
- 6.1.4 The team has not consulted the general public on these proposals due to the specialist nature of the review.
- 6.1.5 The outputs from the programme include prompts and tools to support appropriate communication, consultation and engagement throughout the procurement lifecycle with relevant elected members and key stakeholders appropriate to the category.

### **6.2 Equality and Diversity / Cohesion and Integration**

- 6.2.1 The programme has included equality issues as one of its workstreams and the outputs from the programme include prompts and tools to support appropriate consideration of equality and diversity throughout the procurement lifecycle.

### **6.3 Council policies and City Priorities**



- 6.3.1 The programme will be seeking approval from Executive Board to a refreshed procurement policy for the council in line with the proposals set out in this report.
- 6.3.2 The programme directly supports the council value of 'spending money wisely', and seeks to ensure that the council's other values are embedded in the council's procurement activities.
- 6.3.3 The outputs from the programme include prompts and tools to support a focus on outcomes and appropriate consideration of the council policies and city priorities throughout the procurement lifecycle.
- 6.3.4 The outputs from the programme also seek to reflect the outcomes from other council reviews including the commission on the future of local government, the review of area working, and work currently underway relating to an enabling corporate centre.

#### **6.4 Resources and value for money**

- 6.4.1 The costs of delivering the programme to date have been internal staffing costs. During the proposed implementation period, and beyond, the costs will continue to be internal staffing costs, however the focus will move towards directorate staff and away from the central procurement function. The Chief Officer PPPU / PU will develop proposals for a restructure to reflect the new ways of working.
- 6.4.2 The outputs from the programme include prompts and tools to support consideration of value for money throughout the procurement lifecycle, including tools to track savings opportunities and to support resource allocation which is proportionate to the value, risk and complexity of the relevant issue or task.

#### **6.5 Legal Implications, Access to Information and Call In**

- 6.5.1 There are no specific issues in this report with respect to these matters. The programme will result in recommendations for change to the council's Contracts Procedure Rules and some recommendations for change to the council's Scheme of Delegation. Proposals for change will be included within the annual review of the council's constitution in May 2013.
- 6.5.2 The outputs from the programme include prompts and tools to support active consideration and compliance with legal implications, access to information and call-in throughout the procurement lifecycle.
- 6.5.3 The proposed policy and supporting documents and tools will continue to be reviewed, including any refresh necessary to accommodate anticipated changes to European Procurement Directives which are proposed to come into force in 2014 through amended UK Public Procurement Regulations.

#### **6.6 Risk Management**

- 6.6.1 The programme operates in compliance with the council's risk management policy. The key risks with respect to implementing the proposals outlined in this report are the council's capacity to resource and meet the roles and responsibilities set out, and that compliance with the new policy will not be

complete. An implementation plan is being developed which will include communications, training and assurance in order to address these risks.

- 6.6.2 The outputs from the programme include prompts and tools to support consideration and active risk management of contract and procurement risks throughout the procurement lifecycle.

## **7 Conclusions**

- 7.1 The council is seeking to reduce expenditure and to improve outcomes and value for money from the goods, works and services that it buys.
- 7.2 A Transforming Procurement Programme has been formed to drive strategic and systematic change to our procurement activities to deliver economy, efficiency and effectiveness which is sustainable for the long term.
- 7.3 A refreshed policy has been developed and supporting documentation drafted.
- 7.4 Pilots of the new approach are underway. They are assisting in refining the policy and supporting documents and tools, and are now beginning to directly deliver benefits of additional savings and improved control.
- 7.5 Processes and tools to better manage procurement resources are in place, and systems have been developed to better understand and track our procurement activity, which in turn is improving our ability to manage the council's contracts and expenditure.
- 7.6 Consultation and engagement both within and external to the council is indicating support for the proposed new approach to procurement.

## **8 Recommendations**

- 8.1 That members of the Corporate Governance and Audit Committee note and comment on the contents of this report in advance of its submission to Executive Board.

## **9 Background documents<sup>1</sup>**

- 9.1 There are no background documents.

---

<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.