

Leeds City Council Procurement Strategy

April 2013

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1 Introduction

- 1.1 Leeds City Council is seeking to improve outcomes and value for money from the goods, works and services that it buys.
- 1.2 The council's procurement strategy, set out in this document, is centred on a category management and whole lifecycle approach, with clear accountabilities, openness and transparency.
- 1.3 The strategy seeks to capture and build upon expertise and examples of best practice which are available within the council, locally and nationally; from the public, private and third sectors; and responds to feedback received through wide ranging consultation and pilot projects.
- 1.4 It is anticipated that it will take 2 years for the new strategy to be fully implemented across all areas of the council's external expenditure.
- 1.5 The strategy, and the supporting documents set out in appendix 1, will be refreshed annually to reflect lessons learned and changes in legislation.
- 1.6 If you have any comments or queries, or suggestions for improvement, please send an email to cpu@leeds.gov.uk

2 Background

- 2.1 The council currently spends £800 million externally each year, across both revenue and capital. We use a variety of contracts, from simple purchase orders to long-term partnership agreements. Some contracts are with a single provider, others are frameworks with multiple providers.
- 2.2 The council procures a very wide range of goods, works and services, including front-line services and back-office support. Examples include foster care, home care, homelessness support, energy, vehicles, seeds, catering products, building works, highways repairs, and IT software. A map of our procurement categories is included at appendix 2.

3 Our ambition

- 3.1 At the heart of the strategy sits our ambition 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.

4 Our strategy

- 4.1 We will adopt **a category management approach**, where related purchasing is grouped together to take advantage of better intelligence of our buying needs and of what providers have to offer, and to support bulk buying where appropriate, in order to improve quality, savings and efficiency.
- 4.2 We will adopt **a whole lifecycle approach**, which starts from assessing needs and analysing options, through preparation and procurement, to mobilisation, contract management and exit, to ensure quality outcomes and value for money are achieved.
- 4.3 All categories will work to **common principles and rules**, but outputs will be **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.
- 4.4 We will build on expertise within directorates and provide 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.
- 4.5 We will demonstrate clear **ownership and accountability** within our procurement activities, with structured governance, and assurance, to ensure clear, timely and auditable decision making.
- 4.6 We will be **open and transparent**, with a visible and accessible contracts register and procurement calendar, 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.
- 4.7 We will consult and engage with **stakeholders** throughout the procurement lifecycle, to ensure our 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.

- 4.8 We will develop the procurement **skills and capacity** of our people, to ensure we deliver a world class service.

5 Who we will work with

- 5.1 The council's refreshed approach to procurement highlights the importance of engagement with **elected members, staff, service users and providers** throughout the procurement lifecycle. The supporting documents identified in appendix 1 include prompts and tools to support this, and take account of developing policies relating to civic enterprise and locality working.
- 5.2 Categories will be managed and procurements delivered through a **team approach**, combining the skills and capacities of directorate commissioners and service managers with appropriate inputs from procurement, commercial, business and project management staff, alongside other specialists as appropriate.
- 5.3 The balance of inputs will be flexible to reflect different directorates needs at different times, and will be **proportionate** to the value, risk and complexity of the specific category or procurement.
- 5.4 The council will maintain and continue to develop relationships with commissioning and procurement colleagues from **other public bodies** at a local, regional and national level, particularly to identify opportunities for collaborative procurement and lessons learned from elsewhere. This will include elements of joint commissioning and shared approaches where this improves outcomes and offers better value for money.
- 5.5 We will continue to develop relationships with organisations representing **the private sector and the third sector**, particularly to identify and resolve any continuing barriers to effective partnership working.

6 What we will achieve and how we will achieve it

- 6.1 In delivering the ambition we will seek to realise a range of benefits and will undertake a range of activities. We will seek 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.

6.2 Value for money

- 6.2.1 We will secure best value for money by **planning ahead** and understanding the required outcomes, the risks and benefits, and the budget, 'market place', and cost drivers of our categories and procurements.
- 6.2.2 Through our budget processes we will set targets for **cashable savings**, on both a one-year and whole-life basis.
- 6.2.3 We will work with our providers to keep **existing contracts** under review, identifying opportunities for cashable savings and other efficiencies, and to ensure appropriate performance management of our contracts.
- 6.2.4 We will also seek **non-cashable savings**, or opportunities for cost avoidance, where we avoid or minimise a price increase, or where we receive more from a contract without an increase in cost. These savings are not usually 'cashable' from a budget perspective, nevertheless they do improve value for money and are important in supporting the council's overall budget strategy and priority plans.
- 6.2.5 We will ensure that **off-contract spend**, where due to a variety of factors we place orders outside agreed contracts, never exceeds 2.5% of the value of all orders placed. We will also reduce our 'non-contract spend', where due to a variety of factors we place orders where there is no formally tendered contract in place, to ensure that by April 2016 this figure is reduced to 2.5% of the value of all orders placed.
- 6.2.6 In order to have a clear understanding of the council's procurement activity and performance, we will develop and maintain a suite of **management information** reports. This will help us to benchmark against others, to identify the most appropriate approaches for improving outcomes and savings in a particular category, and to identify and respond to key trends,. This information will include details of contracts awarded, waivers, savings, procurement calendar, off-contract spend, and supplier information. It will be made publically available wherever possible, except where the details are commercially confidential.
- 6.2.7 We will consider value for money throughout the procurement lifecycle, and will support resource allocation which is proportionate to the value, risk and complexity of the relevant issue or task.

6.3 Quality outcomes

- 6.3.1 We will secure **positive outcomes** from the goods, works and services that we procure by clearly identifying those outcomes and including appropriate provisions in improved tender, contract and contract management documents and processes.
- 6.3.1 We will undertake appropriate contract and procurement **risk management** and assurance throughout the procurement lifecycle, to ensure that desired outcomes are achieved, to reduce the probability and impact of challenge, and to ensure that the council is not exposed to unexpected costs or other unintended consequences from a procurement.
- 6.3.2 We will **communicate, consult and engage** as appropriate throughout the procurement lifecycle with all key stakeholders relevant to the category or procurement, including end users, providers and staff. Elected members will have an important role in this respect, as will alignment with developments in locality working.
- 6.3.3 We will consider **equality and diversity** as an integral element of each of our categories and procurements, in line with the council's wider policy on equality and diversity.

6.4 Wider ambitions

- 6.4.1 We will improve the consistency and transparency of the council's requirements for 'added value' from its procurement activity, by supporting clear consideration of the council's wider ambitions when undertaking procurements and including appropriate provisions in improved tender, contract and contract management documents. Supporting **economic, social and environmental wellbeing** includes, for example, requirements on employment and skills opportunities and other aspects of social value.
- 6.4.2 The council's procurement activities will 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.
- 6.4.3 This procurement strategy, and the supporting documents set out in appendix 1, is aligned with and supports other **council policies** including City Priority Plans; the council's business plan; area and locality working; the concept of civic enterprise developed through the Commission on the Future of Local Government; the emerging best

council blueprint reflecting 'smaller in size, bigger in influence'; current work to secure an enabling corporate centre; and enhanced regional working. It also aligned with and supports other **council procedures**, particularly with respect to governance, risk management, community engagement, financial procedures and the council's approach to project management.

6.5 Providers of all sizes and from all sectors

- 6.5.1 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.
- 6.5.2 This procurement strategy, and the supporting documents set out in appendix 1, reflects feedback received from representatives from the third sector and private sector, including SMEs. Where appropriate, consideration will be given to dividing procurements in to lots, supporting prompt payment of sub-contractors, and improved transparency in the council's procurement processes and procurement pipeline.
- 6.5.3 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.

6.6 Procurement professionals

- 6.6.1 To deliver a world class procurement service requires appropriately **skilled and experienced staff**. We will support the training and development of our staff to maintain and raise standards across the profession. This will include informal coaching and training, and more formal training and professional qualification through CIPS (the professional body) and QA (the council's training provider).
- 6.6.2 Procurement and commissioning staff across the council will also continue to share issues, lessons, best practice and innovations.
- 6.6.3 Each Directorate is accountable for the procurements that they need, to deliver the services and secure the outcomes that they are responsible for, including in some cases joint procurement with partners such as the health service and including in some cases procurement on behalf of other directorates, for example energy. The Directorate owns the preparation of the specification and the evaluation criteria, and takes all decisions in relation to the procurement including the proportion of the budget to be allocated to the contract, the decision to commence a

procurement, and which organisation to award the contract to. The Directorate is then accountable for mobilising, managing, and exiting the contract.

- 6.6.4 The central procurement function will continue to develop as a centre of excellence and is accountable for providing a central source of expertise, advice and support, providing check and challenge as appropriate. At a more detailed level, the central procurement function will work with directorate colleagues through the use of category teams, to ensure consistency of approach and advice and to ensure that procurement staff have appropriate knowledge and experience in respect of the relevant category of spend. Each category team will include specialist staff with high levels of expertise who can provide support to directorates in developing strategic approaches and in delivering highly complex or sensitive procurements, in addition to staff who can support more straightforward procurements. The category teams will have access to specialist in-house commercial expertise (legal, financial and technical).
- 6.6.5 The procurement function will act as a central source of management information for the council with respect to the council's procurement activity and performance, including spend analysis. It will be responsible for maintaining the council's **electronic tender system**, and for publishing a register of contracts awarded and a calendar of the council's planned procurement activities.
- 6.6.6 The central procurement function will continue to develop and maintain the council's **Contracts Procedure Rules** together with good practice documents and toolkits. It will facilitate cross-council discussions relating to procurement, particularly lessons learned, best practice and innovations, and will facilitate access to appropriate training.

6.7 Recognised nationally

- 6.7.1 A strong national reputation can help the council and its partners to secure further funding and freedoms. The strategy and supporting documents has sought to capture best practice and once fully implemented should see Leeds once again at the forefront in public procurement.
- 6.7.2 In light of continued constraints in public funding a range of commercial responses are emerging to look at where contractual risks, and the cost of those risks, is best held, this includes alternative models of delivery and new forms of contracts and funding based on payment by results.

The council's procurement strategy will continue to keep these areas under review and will provide advice and guidance on these matters.

- 6.7.3 The strategy is outward looking and uses information and intelligence to shape the approach to each category and to individual procurements.
- 6.7.4 The strategy, and the supporting documents listed at appendix 1, provides support to ensure compliance with the complex regulatory framework that public procurement is subject to.

7 Implementation

- 7.1 The sections above describe the ambition and proposed future shape of the council's procurement activity. There will be a **period of transition** from current practice to new practice.
- 7.2 Some of this transition has commenced through the pilot work to date, and 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.
- 7.3 There will be **continued engagement** with key stakeholders, and access to appropriate accredited training for relevant staff.
- 7.4 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.
- 7.5 This procurement strategy, and the supporting documents identified in appendix 1, will be **reviewed annually**, to ensure lessons learned and feedback from stakeholders continues to be captured, and to ensure the documents reflect any changes in legislation, guidance and best practice. This will include changes to European Procurement Directives which are proposed to come into force in 2014 through amended UK Public Procurement Regulations.
- 7.6 The supporting documents identified in appendix 1 are recommended template documents which are intended to be used as tools to assist in developing and delivering category planning and procurements. Their use should be proportionate to the value, complexity and risk of the category or procurement being delivered. Where directorates already have equivalent documents in place, or where the council is undertaking a procurement jointly with other partners 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.

8 Contacting us

8.1 If you would like to read more about the council's procurement activity, please visit our web-site www.leeds.gov.uk/business/working_with_us

8.2 If you have any comments or queries, or suggestions for improvement, regarding procurement, please send an email to cpu@leeds.gov.uk

8.3 If you would like to tender for council contracts, please register at https://www.yortender.co.uk/procontract/supplier.nsf/frm_home?openForm

8.4 For any other queries relating to our procurement activities, please telephone us on 0113 39 52451.

9 Appendices

9.1 List of procurement documents and toolkits

9.2 Whole council category map

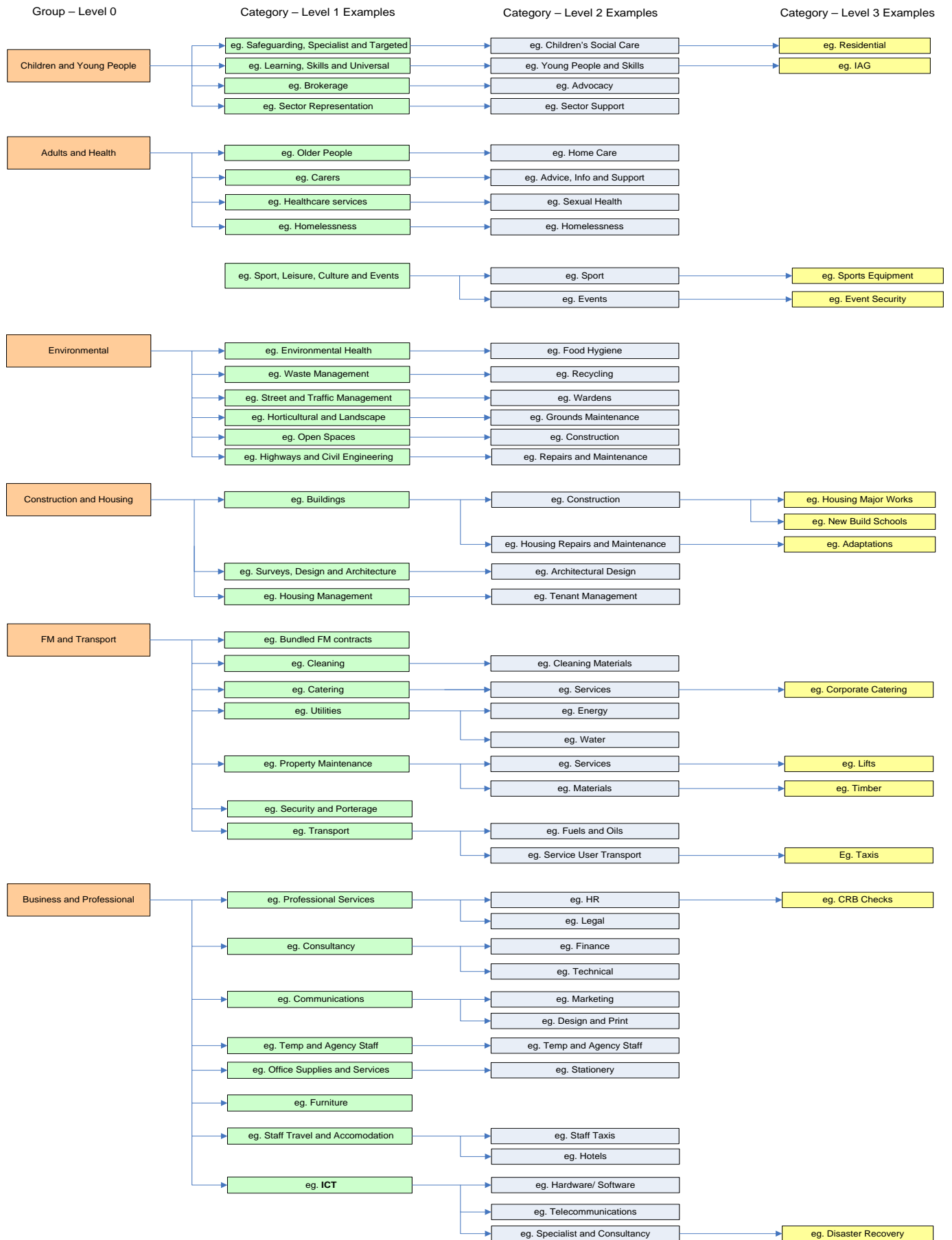
9.3 Wider context and whole life diagram

9.4 Glossary

<p>Procurement Strategy (the council's procurement policy)</p>																																					
<p>Contracts Procedure Rules (the council's procurement rules for any stage in your procurement, including when you are not undertaking a competitive tender)</p>	<p>Assurance Guide (a guide to help you navigate decision making, documents, consultation and quality assurance at any stage in your procurement)</p>																																				
<p>Planning Documents (tools to help you consider and record all key issues before you get underway)</p> <p>Category plan Procurement scoping notes Procurement plan Contract management plan Annual review notes Exit plan Trade Union protocol</p>	<p>Delivery Documents (tools to help you consider and use appropriate tender and contract documents)</p> <p>PQQ Part 1 – Tender instructions Part 2 – Specification Part 3 – Financials Part 4 – Contract terms & conditions Evaluation methodology Evaluation booklet</p>																																				
<p>Toolkits (tools to help you look at some key policy areas at any stage in your procurement)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Social</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Economic</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>Management</u></th> </tr> </thead> <tbody> <tr> <td>Social value</td> <td>Third sector</td> <td>Communications</td> </tr> <tr> <td>Social capital</td> <td>SMEs</td> <td>Locality working</td> </tr> <tr> <td>Community benefits</td> <td>Supported businesses</td> <td>Risk</td> </tr> <tr> <td>Ethical & fair-trade</td> <td>Social enterprises</td> <td>Lessons</td> </tr> <tr> <td>Environment</td> <td>Models of delivery</td> <td>Benefits</td> </tr> <tr> <td>Employment & skills</td> <td>Internal service providers</td> <td>Options appraisal</td> </tr> <tr> <td>Health & wellbeing</td> <td></td> <td>Market analysis</td> </tr> <tr> <td>Equality & diversity</td> <td></td> <td>Soft market testing</td> </tr> <tr> <td>Regeneration</td> <td></td> <td>Specification</td> </tr> <tr> <td>Economic wellbeing</td> <td></td> <td>Evaluation</td> </tr> <tr> <td></td> <td></td> <td>Contract management</td> </tr> </tbody> </table> <p><u>Specialist</u> CD/PPPU site development protocol; health and safety and CDM; forms of contract; payment mechanisms; data protection; safeguarding</p>		<u>Social</u>	<u>Economic</u>	<u>Management</u>	Social value	Third sector	Communications	Social capital	SMEs	Locality working	Community benefits	Supported businesses	Risk	Ethical & fair-trade	Social enterprises	Lessons	Environment	Models of delivery	Benefits	Employment & skills	Internal service providers	Options appraisal	Health & wellbeing		Market analysis	Equality & diversity		Soft market testing	Regeneration		Specification	Economic wellbeing		Evaluation			Contract management
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Whole Council Category Structure

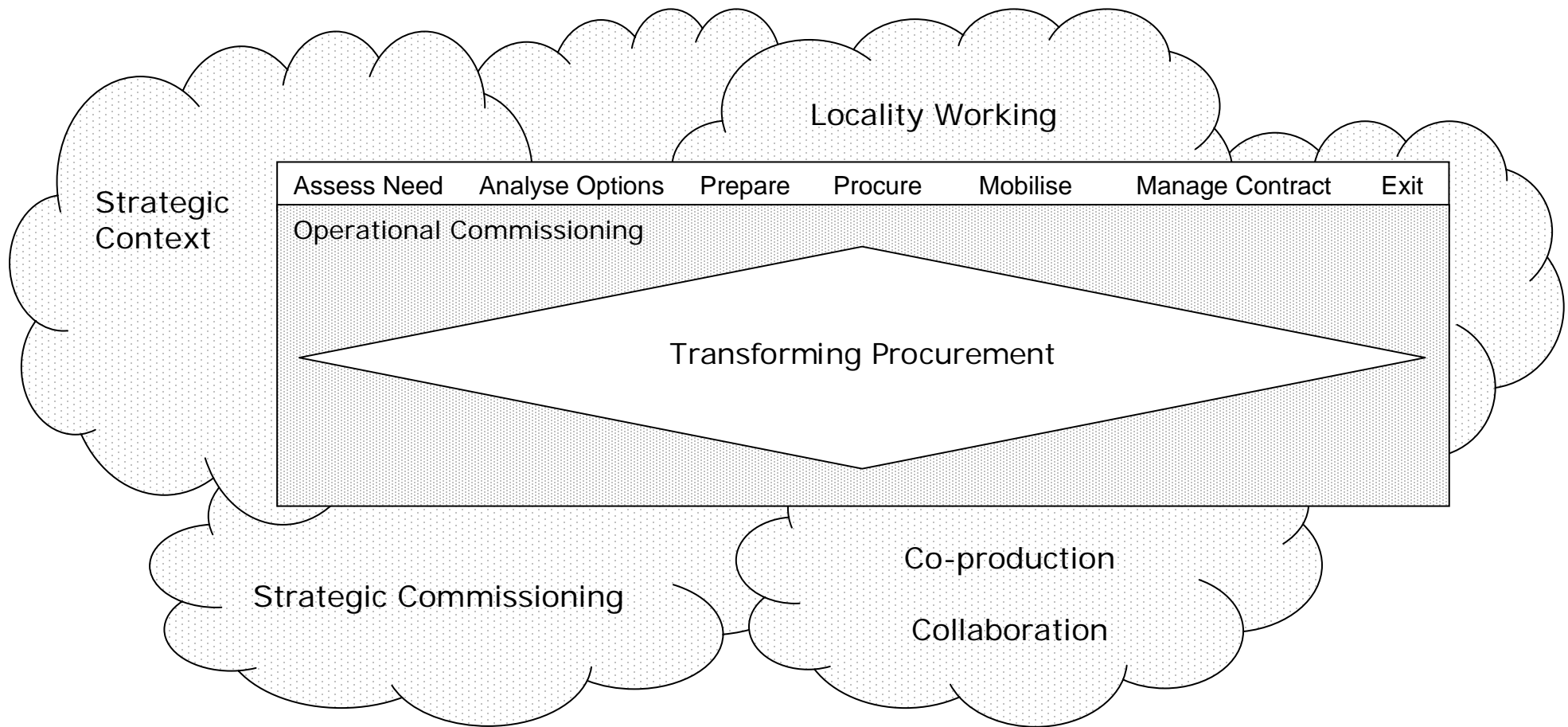
APPENDIX 2



Whole lifecycle and the wider strategic context

APPENDIX 3

To achieve best outcomes and optimise value for money, the procurement function needs to be engaged across the whole lifecycle and be alert to the wider strategic context, to ensure that its engagement, support and added value align with the bigger picture and the long term:



Best Value – overall value, including price and quality considerations and including economic, environmental and social value; the council's duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Demand management – challenging what the organisation buys through actions which review an activity to determine whether it meets needs and objectives and which questions the need to spend money in the first place.

Category Plan – strategic planning of the category, at a category or sub-category level, including review of the current position, constraints and opportunities, desired outcomes, options and actions.

Category Management – best practice approach to managing and organising procurement spend and resources; a structured framework of activities designed to deliver better procurement outcomes through a holistic approach which focuses on the interrelated needs of buyers and suppliers; managing buying activity by grouping together related goods, works and services across the council and mapping them onto the provider market, to improve quality, savings and efficiency across the council as a whole.

Commissioning – the entire cycle of assessing the needs of people in a local area, designing and putting into place goods, works and services to meet those needs, and monitoring and evaluating the outcomes. In a commissioning approach, the council seeks to secure the best outcomes for local communities by making use of all available resources, whether the resources are provided in-house, externally or through various forms of partnership. This activity continues throughout the whole lifecycle.

Contract Management – the tasks and activities which seek to ensure we receive what we have contracted to receive, at the price we contracted to receive it, taking account of agreed change and continuous improvement. Activity is focused from prior to the contract starting though to contract expiry and de-commissioning. It includes supplier relationship management and also ensures that we meet our obligations under the contract.

Contract Management Plan – practical planning for the contract period for a single contract or group of similar contracts, including milestone dates, and escalation, communication and performance management arrangements.

Exit Plan – practical planning for the end of the contract period for a single contract or group of similar contracts, including milestone dates and hand-over activities.

Goods – things that we buy, such as pens and paper, or plants and seeds, or fruit and vegetables.

Procurement – the tasks and decisions which secure an external provider to provide what we want, at a price that we can afford. Activity is focused on the period from prior to advertising a tender to signing the contract. It includes both competitive tenders and circumstances where we negotiate with a single supplier.

Procurement Plan – practical planning of the procurement, or group of similar procurements, including approach, resourcing and timetable.

Provider – any organisation that provides goods, works or services to the council or on behalf of the council.

Purchasing – placing orders under relevant contracts, use of purchase-to-pay cards and systems, receipting, making payment, and associated transactions.

Services – services that we buy include specialist support for vulnerable children and adults, and also repairs and maintenance services, financial advice, designs and surveys for new building works.

SME or Small and Medium Enterprises – firms that employ 9 or fewer staff (micro), and firms that employ 50 or fewer staff (small), and firms that employ 250 or fewer staff (medium).

Social Value – the additional economic, social and environmental benefits that a contract achieves.

Third Sector – the group name for a range of organisations including community groups, charities, voluntary organisations, social enterprises, community interest companies. Third sector organisations may be registered charities and may be registered companies. They include small, local groups and large multinational operations, and everything in between.

Value for Money or VfM – buying the right thing at the right price, taking account of price, quality, outcomes and whole life costs; the combination of whole-life costs and benefits to meet the customer's requirement; the relationship between economy, efficiency and effectiveness.

Whole lifecycle – the whole cycle of assessing needs, analysing options, preparation, procurement, mobilisation, contract management and exit.

Works – construction works that we buy, including construction of new buildings, or extensions, and also creation and improvements to roads and bridges and open spaces.