

# Audit & Risk Committee Report

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**PROCUREMENT ANNUAL REPORT 2019/20**

Lead director: **Kamal Adatia**

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**City Mayor**

## Useful information

- Ward(s) affected: **All**
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- Report version number: **002**
- Date of report: **22 July 2020**

### 1. Summary

- 1.1 The Council approved new Contract Procedure Rules in March. These rules require an annual report after each financial year to the Executive and to the Audit & Risk Committee with certain information on the procurement processes undertaken in that financial year.
- 1.2 The purpose of this report is to inform the Committee of the activity of the procurement function of the council (which comprises three specialist procurement teams: Procurement Services, ICT Procurement and ASC Procurement) over the previous financial year and evidence compliance with the requirements of the Contract Procedure Rules.

### 2. Recommendations

- 2.1 The Committee is asked to note the contents of the report.

### 3. Supporting information

#### Contract Procedure Rules

- 3.1 The Council approved revised Contract Procedure Rules on 19 March 2020. This followed a report to the City Mayor's Briefing and Audit & Risk Committee in October/November 2019 setting out the proposed changes.
- 3.2 The changes were to address number of challenges which the proposed changes to the rules add:
  - a) **Challenge:** Processes, particularly for low value procurement too onerous, not cost-effective, not adding value and leading to too many waivers  
**Proposals:**
    - Devolve simple processes to be conducted by departments following review/advice by Procurement;
    - Updated rules and approval processes for Waivers/Exemptions and

- Contract Extensions;
- Requirement to get four written quotes reduced to three for Targeted Quotations;
- Remove requirement for Procurement Plan to be approved every year as a prerequisite for procurement to commence;
- Less specific rules on executing contracts to enable implementation of new “e-signature” software to improve efficiency of contract award procedures;
- Raise thresholds & merge current Small & Medium bands. See Annex A for revised thresholds.

**b) Challenge:** to ensure that raising the thresholds for advertising does not lead to a decline in the use of and engagement with local suppliers.

**Proposals:**

- Increased ability to seek targeted quotes or direct award, and rules encourage use of local suppliers whenever possible – this will be emphasised in guidance and communications;
- References to Social Value Charter added to formally link into rules.

**c) Challenge:** the existing Rules are too long and not easy to follow in places.

**Proposals:**

- Restructured and significant reduction in length of Rules to simplify and aid understanding; remove re-writing of legislation;
- Removal of Appendix 2 as not implemented by schools who have their own separate rules.

3.3 The updated Rules also reflect new legislation, principally the Concessions Contracts Regulations, and to mitigate any risk of needing to make future changes due to Brexit.

3.4 No changes have yet been made to the Rules and no changes are currently proposed.

3.5 For information, the EU/PCR Thresholds were updated in November 2019 to come into force on 1 January 2020 for the next two years:

• Social & Other Specific Services	£663,540
• All Other Goods & Services	£189,330
• Works and Concessions	£4,733,252

Procurement Processes Completed

3.6 96 possible procurement processes anticipated to be over the EU Threshold were on the procurement plan for 2019/2020; of these:

- 31 have been completed;
- 16 have been advertised are in still in progress
- 11 are in active stages of pre-procurement with documentation nearing completion and/or so form of pre-procurement market engagement having been commenced, but without been formally advertised
- 33 have not yet been started, although some preparation may have taken place, and have been postponed/deferred – a lot of these are expected to start but some of them are under review and may not require a procurement

process due to using an existing contract/system or priorities/requirements changing but are still expected to start

- 5 have been cancelled/abandoned without the intention to re-commence procurement.

These figures exclude procurement processes which may have been commenced in 2018/2019 and featured on that year's procurement plan.

### 3.7 Contracts awarded include

- electrical rewires and upgrades of council houses
- bike share scheme
- purchase of electric buses of the park and ride scheme
- hybrid mail services
- Special Educational Needs and Disability Information, Advice Support and Choice Advice Services

## Procurement Contribution to Covid-19 Response and Recovery

3.8 The Council's procurement function have played an important role in the council's response to the Covid-19 pandemic. The most significant part of this being in relation to procuring PPE to support in-house provision and act as a provider of last resort for the council's social care providers and other care providers and similar organisations in the city. We have procured over 4 million individual items of PPE, including aprons, face masks, visors and gloves, which enabled the council to be in a very favourable position with regards to PPE stocks. We continue to ensure we have appropriate stocks to support the re-opening of a range of operational buildings (both public-facing and back-office) over the coming weeks and months. Given the urgency of requirements and instability of the supply market, the council has had to use Exemptions to procure on a spot-purchase basis outside of normal contracts. However, we have always been alert to ensure the quality and compliance of items being purchased to ensure they are suitable for use and have been working with Trading Standards to this effect. We are aware of a number of councils and other organisations who have received deliveries of fake supplies.

3.9 Procurement Services has also supported the purchase of a range of items, including further PPE, cleaning supplies, and equipment to enable social distancing in offices and other council buildings. A lot of this has also required exemptions under the provisions of the Contract Procedure Rules.

3.10 The Covid-19 outbreak has also had impact on many ongoing procurement processes and some that were due to be commenced. Tender return deadlines have been extended and commissioning staff have been diverted away from procurement to other urgent activities. We have tried to tailor our approach to each contract taking into consideration the impact on service delivery and the market's ability to respond and implement a new contract. In many cases we have carried out some form of pre-market engagement to establish this. This has meant that some contracts have needed to be extended to ensure continuity of service provision until new contracts can be finalised and mobilised. Other contracts have needed appropriate review and contract management to allow variations and relief to suppliers.

## Social Value and the Living Wage

- 3.11 The Council adopted Social Value Charter in late 2018 following work by the Economic Development, Tourism, and Transport (EDTT) Scrutiny Commission and implementation by the Assistant Mayor (Policy Development) and the Head of Procurement. An update on the Council's implementation of the strategy was reported to the EDTT scrutiny commission in December.
- 3.12 We are looking to produce an updated concise version of the Social Value Guide focussed on supporting the city's recovery from the Covid-19 pandemic. As part of this we have refreshed discussions with other anchor institutions in the City with the aim to launch this with some joint commitment from those institutions. We anticipate this work will lead to a stronger and more formal partnership between the city's anchor institutions to support the city's recovery that goes beyond procurement and social value to include employment and the use of land/property.
- 3.13 The Council signed up to the Living Wage Foundation's Licence Agreement to become a Living Wage Employer. This means that the Council is implementing the Living Wage into all new procurement contracts which meet the criteria agreed with the LWF. This commitment is a key element of the Social Value Charter.
- 3.14 Internal audit has conducted a review of compliance with this policy to confirm that all qualifying contracts have the appropriate clauses inserted in them when being re-procured.

## Waivers

- 3.15 The Contract Procedure Rules require the Head of Procurement to report a summary of waivers of the Rules and some contract extensions to Executive. The tables below show an analysis of the waivers approved during the current and last financial years. This is shown by both department and a broad categorisation of the reason for the waiver.

Reason for Waiver	2018/19		2019/20	
	Qty	Value	Qty	Value
Continuity of Provision	42	£2,164,941	38	£1,179,475
Limited Supply Market	14	£746,997	17	£949,086
Urgency	39	£2,067,974	30	£11,792,264
Other	12	£6,700,500	13	£1,017,349
	<b>107</b>	<b>£11,680,412</b>	<b>98</b>	<b>£14,938,174</b>

Department	2018/19		2019/20	
	Qty	Value	Qty	Value
City Development & Neighbourhoods	63	£7,455,451	65	£7,376,711
Social Care & Education*	14	£505,740	11	£6,561,819
Public Health	8	£3,284,697	5	£423,778

Corporate Resources & Support	22	£434,524	17	£575,866
	<b>107</b>	<b>£11,680,412</b>	<b>98</b>	<b>£14,938,174</b>

\* Includes the previously separate reporting completed under Adult Social Care & Health plus Education & Children's Services.

## 5. Financial, legal and other implications

### Financial implications

5.1 There are no significant financial implications arising directly from this report.

Colin Sharpe  
Head of Finance  
Ext 37 4081

### Legal implications

5.2 There are no implications arising directly from the recommendations of this report.

Emma Jackman  
Head of Law (Commercial, Property & Planning)  
Ext 37 1426

### Climate Change and Carbon Reduction implications

5.3 Whilst figures are not available, it is highly likely that procurement is one of the largest sources of carbon emissions for the Council, due to the embodied emissions of items and services procured. Following the council's declaration of a climate emergency in 2019, action should be taken to reduce these emissions wherever possible.

5.4 The Council's Social Value Charter and sustainable procurement guidelines provide guidance on limiting environmental impacts and securing benefits from procurement activity. This guidance should continue to be applied to procurement activities to ensure that procurement decisions support the achievement of the council's climate change related targets.

Aidan Davis  
Sustainability Officer  
Ext 37 2284

### Equality Impact Assessment

5.5 Under the Equality Act 2010, public authorities have a continuing Public Sector Equality Duty (PSED) which means that, in carrying out their activities (including decision making and procurement), they have a statutory duty to pay due regard

to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

5.6 Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

5.7 There are no direct equalities implications arising directly from the report. This report provides an update on activity of the procurement function. It is important to consider the implications of individual procurements in more detail at an early stage of each process where appropriate. Securing social value through procurement is an effective way to help address economic, social concerns in local communities and is likely to *contribute* to positive equalities outcomes for people across a range of protected characteristics.

Hannah Watkins  
Equalities Manager  
Ext. 37 5811

**6. Background information and other papers:**

6.1 None.

**7. Summary of appendices:**

7.1 None.

**8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

8.1 No.

**9. Is this a “key decision”?**

9.1 No.

## Annex A: Revised Thresholds

	Process	Goods and Services	Social Care ("Schedule 3") Services	Works (and Concessions)
<b>Small</b> <i>previously Minor</i>	Direct Award and Purchase Order	Up to £20,000.00 <i>Up to £1,000</i>	Up to £10,000.00 <i>Up to £1,000</i>	Up to £25,000.00 <i>Up to £5,000</i>
<b>Medium</b> <i>previously Small &amp; Intermediate</i>	Three Quotes (or Advertisement)	£20,000.01 - £100,000.00 <i>£1,000 - £75,000</i>	£10,000.01 - £100,000.00 <i>£1,000 - £75,000</i>	£25,000.01 - £250,000.00 <i>£5,000 - £250,000</i>
<b>Large</b>	Advertised Tender Process	£100,000.01 to EU Threshold <i>£75,000 to EU Threshold</i>	£100,000.01 to EU Threshold <i>£75,000 to EU Threshold</i>	£250,000.01 to EU Threshold <i>no change</i>
<b>PCR</b> <i>previously EU</i>	Full Tender Process	EU Threshold and above <i>no change</i>	EU Threshold and above <i>no change</i>	EU Threshold and above <i>no change</i>
<b>Current EU Threshold*</b>		£189,330	£663,540	£4,733,252

\*updated with effect from 1 January 2020