



Procurement Update

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Cabinet Member(s) responsible:	Councillor Mohammed Jamil, Deputy Leader and Cabinet Member for Finance and Corporate Governance

Executive Summary:

The following report is a general update into the key challenges facing the Commercial & Procurement Team in terms of resources, efficiencies and modernisation, savings and compliance to Governance including the imminent change in Procurement Legislation under the Procurement Act 2023.

Recommendations:

It is recommended that the Audit Committee receives the report and provides further questions or queries that arise from reviewing the information in the report.

1. Purpose

- 1.1 The purpose of this report is to provide an update for the Audit Committee regarding procurement activity, compliance, savings and future developments.

2. Background and key issues

- 2.1 A further update is provided following on from the last submission at the Audit Committee meeting of 9th September 2024. This report focuses on 3 key areas affecting the Team and wider Council as follows:

- Details and Progress relating to Procurement Process Efficiencies
- Savings Activity
- Governance

- 2.2 It has been recognised for some time that the procedures for awarding contracts of a value below the Key Decision threshold has become overly complicated and difficult to administer. This issue was discussed at Corporate Leadership Team in November 2024 and an instruction for the Procurement Team, Democratic Services Team, Information Governance and Legal colleagues engage in a workshop to work through key parts of the process that CLT had identified needed updating as outlined below. To that end it was agreed that a workshop be held on 5th December 2024 to review these key areas and assign lead officers and target dates for improvements to be embedded. The workshop was facilitated by an external Procurement Specialist and included Procurement, Legal, Democratic Services and Information Governance colleagues.

2.2.1 Review of the Procurement Rules to review thresholds and relevant officers that may authorise contract awards.

- 2.2.1.1 A review of terminology for Director and delegations was agreed to ensure that the Constitution is accurately represented as currently all contracts even for low amounts are being signed off by Executive Directors. The revised definitions will make clear that Executive Directors have the power to set out which level of officer is able to sign off particular contracts which will make the process much more efficient. Definitions and changes expected to be drafted and in place by the end of January 2025, via Democratic Services and Legal Services.

- 2.2.1.2 Procurement is reviewing the overall content as currently too much detail is included about specifically procuring goods, works and services that the Procurement Team lead on. Removing excess information will help Budget Holders focus on their key areas of responsibility under the Constitution and in compliance with the Public Contracts Regulations 2015 and Procurement Act 2023.

2.2.1.3 Currently there is no lower level for authorisation of contract awards so in theory a contract however small say £100 should have an under £25k Director's Contract Award Report confirming that decision. Given that HM Govt.'s threshold for contracts is £5k (anything of £5k and above must be added to an Authority's Contracts Register) it seems sensible that a lower level decision threshold be set at £5k. This has been accepted in principle by all parties and Democratic Services colleagues will ensure this is in accordance with the Constitution.

2.2.2 Review of Procurement report sign off process/management

2.2.2.1 The lack of a digital solution to the management of signing off Governance reports (under £500k decisions) is a key issue preventing efficiencies being made. If resolved, automation will unlock 1.5 FTE in procurement resource to undertake more useful work.

2.2.2.2 Procurement will organise a demonstration of various products to automate this process which currently has far too many touch points and needs manual intervention to move documents through the various stages of approval. One option is to review the extent to which the Authority uses Modern.gov which is a programme designed to manage and record all decisions made. Other local authorities use this software and have the full reporting suite available.

2.2.3 Report Templates

2.2.3.1 At least 4 signatures are required to sign off Director's Contract Award Reports above £25k and 5 to sign off Exemptions. A review is being undertaken to look at the approval process for contract awards delegated to Executive Director's . This review will suggest changes to the Contract Rules in terms of thresholds and will specifically focus on the required level of sign off based on complexity and value. Procurement leads on proposals for changes to report templates to ensure budget holders have greater autonomy and there is less reliance on Executive Director approval. All current templates will be redesigned and submitted for approval by the end of January 2025 at the latest.

2.2.4 Review of the potential use of contract templates

2.2.4.1 It was agreed that contracts under £50k may utilise the Council's Standard Purchase Order terms unless the contract requires processing of personal data or one of the following reasons that would require Legal involvement,

- Works contracts;
- Contracts with other Local Authorities;
- Contract's with Council Companies
- Employment matters;
- 3rd Party Framework Agreement Terms

2.2.4.2 For contracts above £50k and below National Procurement Thresholds, Legal Services already have a standard Agreement that is suited to most situations which is currently in use.

2.2.4.3 It was agreed that to remove Legal review of contracts entirely would be increasing risks not to be mitigated, particularly relating to data processing. Other LAs who have taken a more relaxed view on standard contracts have taken on increased risk, particularly where a firm processes data outside the UK and EU.

2.2.5 Review and repurpose the Procurement Board to focus on key Procurements, efficiencies and savings.

2.2.5.1 It is agreed that the Procurement Pipeline must drive the priorities of the Authority in terms of its third party works, goods and services procurements, and that the Procurement Board must drive these priorities and ensure these are delivered in line with the Council's priorities.

2.2.5.2 The Pipeline data including procurement start dates, CPRs, sign offs and exceptions. Standard contracts must all feed into Procurement Board and Procurement start dates need to take into consideration Cabinet dates.

2.2.5.3 It is recognised that the culture within the Authority needs to change so that when a procurement is needed to commence, it commences on the start date agreed or close to it and be cognisant of contract expiry dates. Far too many contracts are procured via expensive frameworks; a total of 98 since 1st April 2024.

2.2.5.4 A much clearer definition of external spend should be signed off by the Procurement Board is needed, including whether procurement is needed or not. This will ensure that all available resources are allocated to essential spend against the Council's priorities.

2.2.5.5 The review will include items exempt from procurement rules and non-procurement items, and how these should get paid. An example might be Legal costs resulting from an external investigation into a care placement or Councillor's payments (CLFs). A comprehensive list will be available by the end of January 2025 at the latest.

2.3 Contract Register Overview

2.3.1 The contract register is not yet linked to the finance system (see update regarding ERP – Contract Accounting) and we are aware that not all contracts are captured on the register. A recent exercise found 5 suppliers with a collective spend of £551k; this is being investigated to ensure the correct governance is in place and that the register is updated.

2.3.2 Please see below key statistics regarding the register

- Suppliers listed on the Contracts Register 400

- Number of active suppliers on Unit 4 - 1800 but many are not commercial contracts
- Number of contracts – 350
- Annual Value - £124m
- Contract Value - £1.652bn
- Number of contracts above £100k – 143
- Annual Value – £119m
- Contract Value - £1.646bn

2.3.3 Contracts falling due up to and including 2026 - 264

Year of Expiry	Number	Annual Spend	Contract Value
2024	44	£23m	£112m
2025	155	£56m	£207m
2026	65	£12m	£49m
Totals	264	£91m	£368m

2.4 Savings Activity

2.4.1 The 2024/25 target is £1.1m cashable savings from procurement and contracts

2.4.2 To date savings of £743k has been delivered, please see the Appendix at 11.1 for breakdown.

2.4.3 It will be difficult to meet the target in full as savings are generally captured by the relevant service budgets rather than the procurement portfolio, but we have identified a range of contracts where savings should be achieved.

2.4.4 The 2025/26 target is £3m, including commissioning. This is a challenging target.

2.4.5 The overarching plan is included at 11.1, this will be finalised by the end of January 2025.

2.4.5.1 The key areas that are being targeted are as follows:

- Agency and Interim staff, including agency margins
- Housing Needs Category Strategy
- Property Category Strategy
- Ending non-essential procurement
- Increased controls to determine essential and non-essential spend
- Other procurement pipeline activity

- 2.4.6 All of the above will be extremely challenging and is heavily reliant on services taking a pro-active approach to procurement and the identification of essential and non-essential spend.

2.5 Governance

- 2.5.1 Compliance levels remain high with 96% of invoices received quoting a valid purchase order.
- 2.5.2 In the last 12 months there have been 71 exemptions, including 10 retrospective exemptions. Whilst exemptions, and in particular retrospective exemptions should ideally be avoided, there has been a significant improvement in the last year. The value of these exemptions is 0.64% of the total 3rd party spend.
- 2.5.3 Mitigating circumstances include contracts and procurement items relating to the uncoupling of services from Cambridgeshire County Council, for ICT, Social Care, Property and Education Capital Schemes, Public Health, where the procurement had been undertaken and contracts held by CCC.
- 2.5.4 In addition the requirements of key infrastructure projects such as the Station Quarter, Hilton Hotel, new schools and extensions has required an urgent appointment of professionals to undertake work at pace. This type of activity is shown in the appendix at 11.2; 65 of 108 Director's Contract Award Reports are under £25k; the value of these reports is only 0.42% of total 3rd party spend.

2.6 General Updates

- 2.6.1 Procurement Resource – the volume of work remains challenging; however, capacity can be improved by measures identified within this report.
- 2.6.2 Resource is also adversely affected by ad hoc demand from directorates, it is therefore essential that we only undertake essential procurements to enable a more strategic role for procurement to achieve long term savings and efficiencies.
- 2.6.3 Procurement Act 2023 – this comes into force on 25th February. The Act will have an impact on resources within the team due to more onerous requirements.
- 2.6.4 All suppliers will need to register on the planned Central Data Repository
- 2.6.5 The Team is planning a series of workshops with services.

- 2.6.6 We are also looking to enhance Social Value and Contract Management. Policy documents, tools have been designed to assist contract managers to ensure the requirements of the Act are met.
- 2.6.7 ERP – Contract Accounting – this module is fully functional in terms of setting up suppliers, contracts and the link to Unit 4 is working.

3. Corporate Priorities

- 3.1 How we work – the Procurement Service will help to define essential and non-essential spend. The service has worked on a more transactional basis due to the implications of uncoupling from CCC and the in-sourcing of other services. Many issues were uncovered during this process and so numerous direct awards had to be made to enable these issues to be addressed urgently.
- 3.2 How we Serve – There is an urgent need to re-establishing the forward planning process and Procurement Board. Actions needed have been outlined within this report.
- 3.3 How we enable – The process to in re-engineering systems and processes the procurement team has been ongoing now for some time and we will be able to better minimise non-compliance.
- 1.4 A new Social Value Policy has been drafted and workshops set up to discuss a with Commissioners regarding proposals to better manage Social Value delivery and drive that through the procurement and contract management process.
- 3.5 Further information on the Council's Priorities can be found here - [Link to Corporate Strategy and Priorities Webpage](#)

4. Consultation

- 4.1 The development of the Commercial and Procurement Service has been presented to the ERP development Group, CLT and Procurement Board.

5. Financial Implications

- 5.1 For 2025/26, procurement savings of £3m are incorporated within the budget.

6. Value for money

- 6.1 Value for money is dependent on improving the service as set out in this report, determining essential and non-essential spend and deliver the required £3m savings.

7. Legal implications (to be completed by the Legal team only after all other comments)

- 7.1 There are no direct legal implications relating to the recommendations. The proposed amendments will be undertaken in compliance with the Public Contracts Regulations 2015 and Procurement 2023. Amendments to the Constitution (Contract Rules) regarding Adults and Children's care placements, Healthcare Provider Selection Regime and extensive amendments relating to the Procurement Act 2023 are being drafted by Legal colleagues and will need Full Council consideration.

8. Equalities

- 8.1 None

9. Options considered

- 9.1 Not applicable as this paper is an update

10. Background documents

- 10.1 None

11. Appendices

- 11.1 Appendix A - Summary of savings activity
- 11.2 Appendix B - Summary of Governance Activity