

Report for: Audit Committee – 11 March 2025

Item number: 15

Title: Update on Procurement Modernisation Plan and Compliance with the Procurement Act

Report authorised by: Taryn Eves, Director of Finance

Lead Officer: Barry Phelps, Chief Procurement Officer

Ward(s) affected: N/A

Report for Key/
Non Key Decision: Non-Key Decision

1. Describe the issue under consideration

- 1.1 In March 2024 the Chef Procurement Officer (CPO) attended the Audit Committee to present an update on outstanding audit recommendations, which were primarily reliant on the implementation of the new e-procurement system.
- 1.2 A further request was made from Audit Committee to provide the following information:
- Examine a sample of request for quotes, which had only returned a single response and submit the outcome to the Audit Committee.
 - Provide benchmark local spend data.
 - Provide number of contracts let
 - Provide information on the Procurement Act.
- 1.3 This report provides an update on this specific request above but also a fuller update on progress with all internal audit recommendations relating to strategic procurement, progress with the implementation of the Procurement Modernisation Plan and current position with the implementation of the changes to ensure compliance with the Procurement Act 2023 which came effective on 24 February 2025.

2. Cabinet Member Introduction

N/A.

3. Recommendations

- 3.1. The Audit Committee is requested to note and discuss the information contained in this report.

4. Reasons for decision

N/A update provided as requested.

5. Alternative options considered

N/A

6. Additional Information Requested from March 2024 Meeting

Examine a sample of request for quotes, which had only returned a single tender.

- 6.1. The Council's current Contract Standing Orders (CSO's) require officers to obtain a minimum of three quotes for goods and services between £10k and £160k and between £10k and £500k for works, light touch (social care) and concession related contracts. (Note; the threshold to obtain 3 quotes will increase to £25k from April 2025, as this activity is centralised into Strategic Procurement. Procurements above the Regulated threshold or £500k (whichever is the higher), will require a compliant tender process).
- 6.2. As part of the request from Audit Committee, Strategic Procurement has undertaken a random sample of the Request for Quotes (RFQ's) via the Haringey Procurement and Contract Management System (HPCS) during 2023. The results are as follows:
- Total number of RFQ's below £160k is 1,772, sample tested 252 (14.2%)
 - 158 (63%) had a single supplier response.
 - 133 (53%) of these quotes were below £10k (which is compliant with the Councils Contract Standard Orders);
 - 25 (10%) of these quotes were £10k and above.
 - The remaining RFQ's had multiple responses.
- 6.3. The table below has previously been provided to the Audit Committee and provides an overview of the number of requests for quotes issued in the period July 2023 to June 2024 through the DPS and the percentage that returned one response.

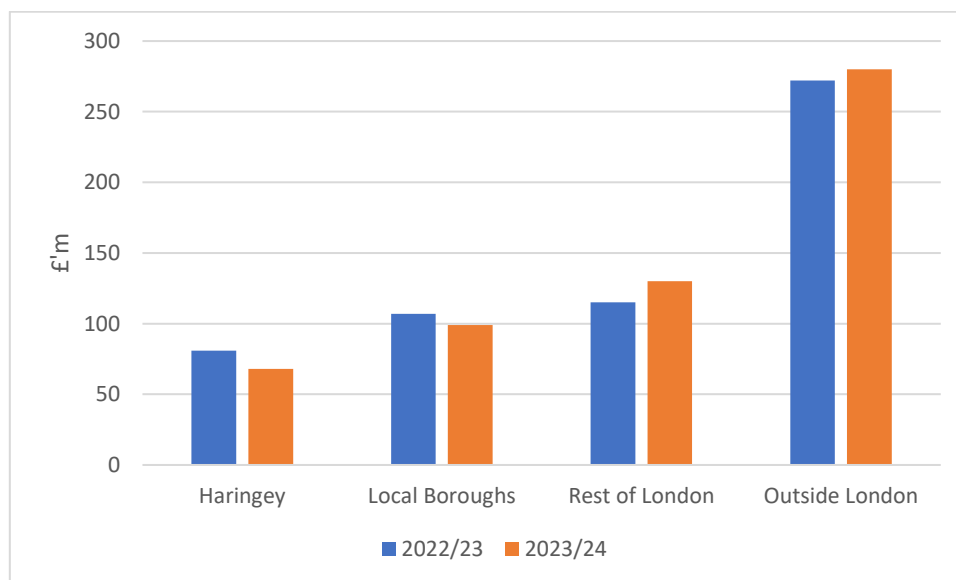
Supply Category	Number of quotes	Number with one response	% with one response	Average response
LCP Minor Works	126	17	13.50%	4
LCP Professional Services	38	5	13.20%	4
Passenger Transport	109	38	34.80%	5
Parks and Leisure	217	127	58.50%	2
Semi Independent Living	117	17	14.50%	1
Supported Living	160	56	35.00%	2

Supply Category	Number of quotes	Number with one response	% with one response	Average response
Home Support	393	123	31.30%	3
Childrens' Home Support	13	3	23.10%	3

- 6.4. There are some valid reasons why some categories have higher volumes of single responses. This could include the following:
- Works projects may have tight timescales for the works to be completed within. This can limit the responses due to available capacity to deliver the requirements in a short time period.
 - Passenger Transport will have ad hoc immediate requests which generally are issued to a single supplier to respond; having previously had discussions with the supplier to confirm they can respond immediately to the request.
 - Parks and Leisure services have the ability to manually distribute a requirement to an individual company in response to urgent reactive works that need to be undertaken immediately.
 - Semi-independent and supported living, require accommodation and there may be limited availability in the market for suitable accommodation. In addition, on average placements are due to commence within 6 days, which leads to an average tender period of just under 3 days for the market to respond.
 - The home support market has reduced in capacity since introducing large block booking arrangements and therefore availability for immediate care can be challenging.
- 6.5. Under the new Procurement Act 2023, there are new requirements that will reduce the ability to directly award. Further details are in paragraph 7.2 c) below.
- 6.6. Through the new Procurement Board, the Council will be expanding on monitoring and reporting on all aspects of procurement activity to ensure compliance with the Procurement Act but also improve compliance with CSOs and ensure value for money is achieved through contracts. This will be reliant on manual data collection until a new e-procurement system is in place.
- Provide benchmark local spend data.
- 6.7. This request relates to comparing Haringey's contract spend with local providers with that of other similar boroughs. The availability of such benchmarking data is fairly limited, mainly because other boroughs do not routinely publish this information and there will be differing definitions of 'local'.
- 6.8. However, the Council has been recording this information for the past few years. The chart below shows how much the Council has spent within Haringey,

neighbouring boroughs (Barnet, Camden, Enfield, Hackney, Islington, Waltham Forest), the remaining London boroughs and with companies outside of London, for the last two financial years.

- 6.9. For the purposes of defining local spend, it is proposed under the pending social value policy, local spend will be expenditure with suppliers registered in Haringey and neighbouring boroughs. This is because the impact of spending with neighbouring boroughs will have more of a direct impact on Haringey residents, as many residents are employed within neighbouring boroughs.



- 6.10 The data indicates there has been a slight drop off in spend with suppliers in Haringey and local boroughs from 2022/23 to 2023/24. The 2024/25 data will be available later in the summer and identify if there are any emerging trends and insights into any reasons.
- 6.11 It can be extremely challenging to increase Council expenditure directly with local suppliers. This is partly due to the disconnect of services purchased by the Council and the profile of suppliers in the borough (i.e. the supply chain in Haringey is unable to provide the wide range of services procured by the Council).
- 6.12 Later in the year, the Council will be publishing its Social Value Policy for Contracts. Social value is defined through the Public Services (Social Value) Act (2012) which requires all public sector organisations and their suppliers to look beyond the financial cost of a contract to consider how the services they commission and procure can improve the economic, social and environmental wellbeing of an area. This will include considering how the Council can support local SMEs to participate in future procurements.

Provide number of contracts let in 2023/24

6.13 The below table indicates how many contracts were let in 2023/24.

Geographical Area	Number of Contracts	Total value of contracts Awarded
LBH	908	£68,392,983
Local Boroughs	1784	£99,356,591
Rest of London	774	£130,266,797
Outside of London	955	£280,241,044
Grand Total	4421	£578,257,415

7 Procurement Act.

7.1 At the meeting in March 2024, Audit Committee requested information regarding the Procurement Act 2023. This section of the report provides a much fuller update given that the new legislation came into effect on 24 February 2025. The changes represent a fundamental reform of the previous procurement legislation.

7.2 In summary the Act will:

- a) Consolidate all previous procurement legislation (i.e. Public Contract Regulations, Utilities, Defence etc.) into a single procurement regime and the introduction of a new centralised digital platform (CDP) where suppliers must be registered on CDP prior to awarding contract £25k. The CDP went live 24 February 2025.
- b) Now cover the entire commercial lifecycle (plan, define, procure and manage). This essentially means that all activity from planning through to contract management and termination will now be covered under the Act.
- c) Simplify the procurement processes and introduce an open flexible procedure, enabling the Council to design procurements to enable better value for money and outcomes to be achieved. Options will be 'Open procedure', 'Open flexible procedure' and 'Direct award' (only permitted under defined circumstances i.e. to protect life as directed by a Minister of the Crown, user choice contracts, urgency etc.). Feedback must be provided on the evaluation on winning bidder and how each bidder could have scored the next level available (i.e. scored 3, how to achieve a 4). Specifications must be performance or functional based, not detailed descriptive characteristics.
- d) Require authorities to consider the National Procurement Policy Statement (NPPS). The Council's Procurement Strategy is already aligned to the NPPS, which heavily endorses Social Value requirements within procurement activity.
- e) Introduce significant increased transparency requirements. There are up to 17 notices that need to be published for each procurement and below are some examples of what the Council will be required to publish:

- A minimum 18-month pipeline of contracts exceeding £2m the Council intends to procure and an expectation to undertake pre-market engagement.
 - Award notice (is now intention to award).
 - Contract details notice (following contract signature).
 - Publication of contracts above £5m
 - Contractor Key Performance Indicator (KPI's) and performance against KPI's for contracts above £5m annually as a minimum.
 - Termination of a contract.
- f) A debarment list of contractors. This will be a list of contractors who are mandated to be excluded from public sector contracts (some very exceptional exemptions) and those where the Council will have discretionary powers to exclude suppliers.
- g) Consider supplier performance, which will have an impact on whether a supplier is placed on the debarment list. All contracts over £5m must have a minimum of three published KPI's. Poor supplier performance which leads to breach or partial breach of contract must be published within 30 days and contract performance at point of termination or end of contract will need to be published.
- 7.3 At the time of this report, the Procurement Act 2023 has come into effect and the Council is compliant with the new legislation but there are a number of improvements that are planned over the next 12 months. Meeting the requirements means a number of manual processes are in place pending implementation of a new e-procurement system.
- 7.4 Key updates for Audit Committee to note include:
- A review and refresh of the Contract Standing Orders that will be considered by Standards Committee on 10 March before Full Council approval of 24 March 2025 to align with the Procurement Act 2023.
 - The Code of Practice will provide more information to comply with Procurement Act and this will be refreshed to pick up more detailed operational requirements, address audit recommendations and increase compliance. The update is expected to be published by 1 April 2025.
 - From April 2025, Strategic Procurement will support most procurements over £25,000. This will improve compliance and easier to manage low value spend category strategies. It is expected to speed up the current process and managed through the team that are familiar with procurement processes and systems and also embed a Category Management approach to procurement activity. Category management ensures a strategic approach to procurement where similar services are grouped together in order to improve value for money and also supplier relationships.

- Directors are required to complete their pipeline of procurements for the next two years. The focus is on procurements over £2m to ensure we are compliant with the Procurement Act but as best practice, the expectation is that the pipeline will cover all procurements regardless of value as good practice and forward planning and the pipeline will be managed through the newly formed Procurement Board.
- The Procurement Act includes transparency requirements relating to the performance of contracts over £5m. All Directors will need to assign a contract owner for contracts above £25k.
- All relevant officers within Strategic Procurement have received training on the new Procurement Act requirements and all are accredited practitioners having completed the Government Commercial College training (part of Government Commercial Organisation within the Cabinet Office). A comprehensive communications and training plan with the organisation is planned during the course of the next few months and will continue throughout 2025/26.

7. Wider Procurement Modernisation Plan

7.1 In 2023, the Council developed a wider modernisation and improvement plan for Strategic Procurement. This resulted from previous internal audit review recommendations, the requirements of the new Procurement Act and a general need to improve procurement activity and compliance across the organisation.

7.2 Some progress with the changes are highlighted in the above relevant sections in the report but other updates, include:

- The revised staffing structure to support the operating model is now in place and the centralisation of all procurement activity associated with contracts over £25,000 which will be managed and overseen through the Strategic Procurement Team. Strategic Procurement will also monitor and ensure compliance for spends under £25,000.
- Work has begun on implementing new category strategies to deliver better value for money through improved routes to market. This includes enhanced scrutiny of multiple contract awards to the same supplier and potential disaggregation of spend.
- Directors are going to be required to submit quarterly, an update on their pipeline of procurements planned for the next two years, with Strategic Procurement maintaining an up-to-date contracts register.
- Establishment of a new Procurement Board, which is a senior level board that amongst other things will oversee the pipeline of procurement activity (monitoring progress and timeliness of forthcoming procurements), compliance with CSOs, review of individual procurements at each gateway stage and compliance

monitoring of all procurement activity. Procurement Board will have overall responsibility for ensuring all the due diligence is complete before the launch of any tenders.

- Alongside, the Strategic Procurement Modernisation Plan, the Council will also be reviewing and improving its commissioning and contract management arrangements. This includes refreshed contract management training to alignment with central government 'best practice' contract management guidance.
- As Audit Committee are aware, the Council is reliant on Exceptional Financial Support from Government in order to balance its budget for 2025/26. This is requiring the Council to challenge and reduce its non-essential spending in all areas. With contract spending making up 55% of its spending in the General Fund, increased approvals have been put in place for all new contracts – currently all contracts over £1,000 must be signed off by an Assistant Director.

7.3 Delays in the implementation of the e-procurement solution will have an impact on the implementation of some controls until such time as the technology is fully in place but manual processes have been put in place in the interim. It is recognised that the implementation of a new system supports the Procurement Modernisation Plan, however, its implementation alone will not lead to the improvements needed in procurement practice and compliance.

8. Internal and External Audit Recommendations

- 8.1 A number of internal audit reviews have been undertaken over the last 24 months on aspects of procurement across the authority, of which some are related directly to Strategic Procurement. Through all the work undertaken to date with the modernisation programme, we have addressed previous audit recommendations, except for those that are reliant on a new e-procurement system.
- 8.2 As part of the 2023/24 Statement of Accounts, the Council's Annual Governance Statement identified procurement across the authority as an area of weakness [Haringey Council Draft Statement of Accounts 2023/24 – 28 June 2024](#) (page 176 – see Appendix 1 for extract). An update will be included in the next update to Audit Committee on the Annual Governance Statement in the summer.
- 8.3 Finally, as part of the External Audit process by KPMG on the 2023/24 accounts, their Annual Auditors Report has highlighted procurement processes across the authority as an area of significant weakness. Their report and management responses was presented to Audit Committee on 27 January [Annual Auditors Report](#) (page 33 – see Appendix 2 for extract). The findings are very similar to that reported in the Annual Governance Statement and an update will be presented to the committee in the summer.

9. Contribution to strategic outcomes

N/A

10 Statutory Officer Comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

Finance

10.1 There are no direct financial implications arising from the contents of this update report. The improvements being put in place to improve procurement and contract management processes across the organisation and fully embed the requirements of the new Procurement Act 2023 is expected to improve value for money on contract spending and contribute towards the Council's financial recovery plan to reduce non-essential spending the reliance on Exceptional Financial Support from 2026/27.

10.2 The 2025/26 draft budget for approval by Council on 3 March has assumed savings of £3m on contract spend and the improvements set out in this report will contribute towards the delivery of these savings.

Strategic Procurement

10.3 Strategic Procurement notes the contents of this report and confirms the data provided has been extracted from HPCS and the DPS.

Legal

10.4 The Assistant Director for Legal and Governance has been consulted and confirms that there are no direct legal implications arising from this report. The terms of reference for Audit Committee provide that its audit functions include "providing assurance about the adequacy of the Council's Risk Management Framework and Policy and monitoring the effectiveness of systems for the management of risk across the Council and compliance with them." Accordingly, consideration of this report falls within the remit of Audit Committee.

Equality

N/A

11 Use of Appendices

- a) Appendix 1 - P177 Draft Statement of Accounts
- b) Appendix 2 - Procurement Section - KPMG Annual Audit Report

12 Local Government (Access to Information) Act 1985

N/A