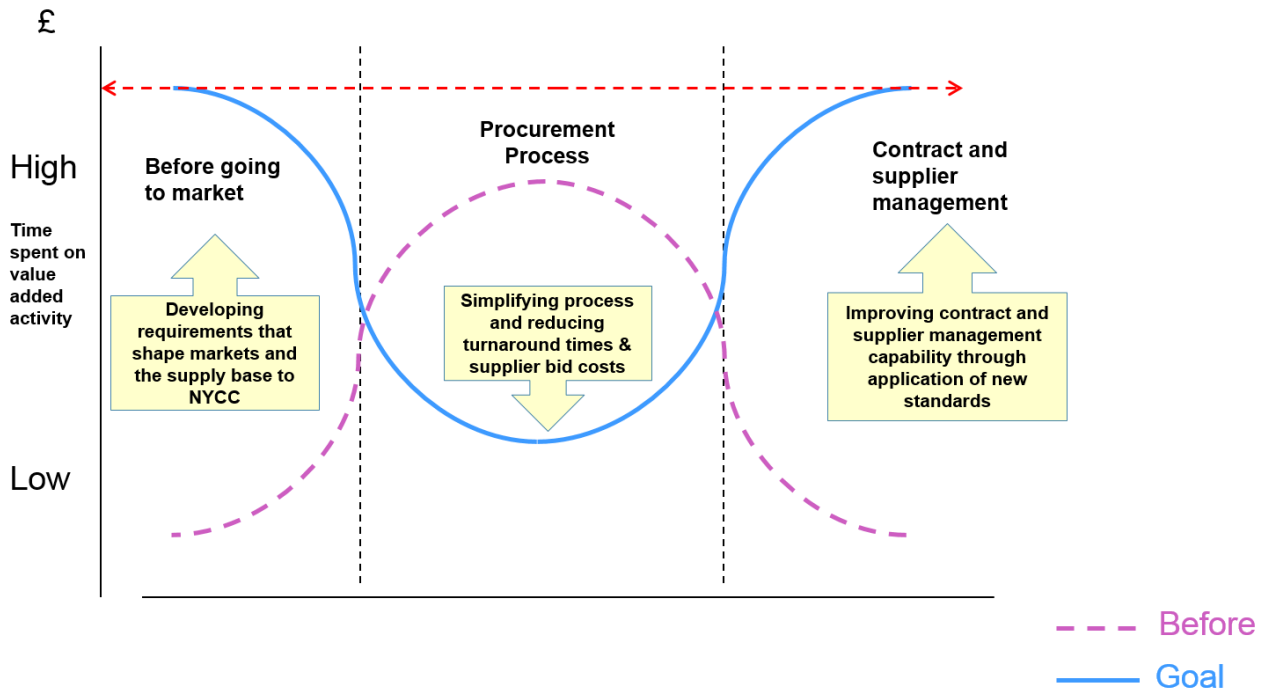


**NORTH YORKSHIRE COUNTY COUNCIL****AUDIT COMMITTEE****23 JUNE 2016****CORPORATE PROCUREMENT STRATEGY****Report from Corporate Director, Strategic Resources****PURPOSE OF THE REPORT**

- 1.1 To provide Members with an update on progress of delivery of the Corporate Procurement Strategy, including the Strategy Action Plan.
- 1.2 To inform Members of recent activity and next steps.

**2.0 BACKGROUND**

- 2.1 The Council spends approximately £300m externally each year across both revenue and capital and it is the Council's responsibility to use this money in the best way possible to achieve its objectives, especially during these years of austerity.
- 2.2 The Council has a good grasp on where money will be spent in the upcoming months/years through the Forward Procurement Plans (FPPs). FPPs allow Directorates (and their corresponding Directorate Procurement Champions) to have an oversight of approaching procurements. As a result, resources and specialist support can be deployed where required to deliver good procurement.
- 2.3 Alongside this, the procurement manual, the gateway process and the procurement documentation that supports these processes have been further developed. This ensures that due process is undertaken and provides the opportunity to highlight any procurements which are considered to be "at risk" or falling below standards.
- 2.4 A good deal of the above is focused around the operational aspects of the procurement process itself i.e. supplier sourcing, supplier evaluation and awarding the contract. This is still essential in that it ensures the Council complies with its own Contract Procedure Rules and the wider EU procurement directives.
- 2.5 A large amount of effort is also needed before going to market in the pre-procurement 'Discovery' stage, as well as the post procurement contract and supplier management stage. The illustration below highlights how procurement needs to move to a position where it concentrates much more of its attention on market and supplier management, both before the start of a procurement process and then ensuring the contract itself is properly managed.



2.6 Before a procurement starts, time taken to plan, research and analyse will add significant value to identifying solutions that will better meet the Council’s needs. In addition, focusing on relationship development means that less time is spent resolving issues and more time applied to assessing quality in delivery and identifying opportunities for cost savings / benefit gains.

2.7 In December 2014, Management Board signed off the new Corporate Procurement Strategy, which set targets and objectives up to 2020. Over the past 18 months much work has been completed on delivering against the Corporate Procurement Strategy. It seeks to build upon expertise and good practice that are available within the Council, regionally and nationally from across sectors. In essence the revised strategy is more ambitious and outward looking and unapologetically strays into commissioning discussions as opposed to more traditional “procurement”. The intention is to deliver greater value by increased involvement in the pre-procurement ‘Discovery’ stage, as well as the post procurement contract and supplier management stage.

### 3.0 CORPORATE PROCUREMENT STRATEGY

3.1 The Corporate Procurement Strategy takes into account the need to consider procurement much more widely than the sourcing, evaluation and award processes and is summed up succinctly in the vision statement which is:

*“To become outcome focused ensuring that all Commissioning, Procurement and Contract Management actively delivers Value for Money and efficiencies for the Council”*

The delivery and success of the strategy is built around three areas showing a progressively wider level of engagement, which are:

- 1) Developing, training and equipping the wider procurement function
- 2) Working within and supporting the wider Council

### 3) Engaging with the wider community

Further detail around the different elements of the strategy can be seen in **Appendix 1**.

3.2 There are a number of positive outcomes associated with these areas which will be delivered over the life of the strategy:

- The Councils staff will be better trained and will work more commercially.
- Advice and support will be quicker and add more value to the Councils procurement activities.
- The Council will select, implement and benefit from the latest technology and tools.
- Early engagement and planning will ensure that outcomes are exactly as intended and supplier performance is continuously improving.
- The best suppliers / providers are delivered for each contract.

3.3 These areas of the strategy are not designed to work in isolation but are tied together through a number of themes. Key themes include:

#### 3.4 Category Management

A strategic approach will be adopted which organises procurement resources to focus on specific areas of spend. Essentially it is the use of a Category expert, with deep commercial and market knowledge, to drive efficiency from procurement in a given spend category. The Category Management approach aims to ensure that we take a cross-council view of our major spend areas in order to maximise value for money and realise benefits in practical terms. The approach is very much related to the focus and structure of the Procurement Services team, therefore targets around the implementation of this approach have been pushed back and linked to the ending of the NYPS contract in November 2016.

#### 3.5 Contract Management

The benefits to effective contract management are immense for both the Council and contractor. Greater emphasis is being placed on ensuring that contracts operate as they were envisaged and procured. A balanced approach is being taken whereby more resource is being made available to manage contracts at both an operational level (managing the contract on a day-to-day basis) and at a strategic level (improving the contract – supplier relationship management). Costs will be managed and efficiencies and savings are being gained due to improved work in contract management.

The Contract Management strand of the Procurement Strategy Action Plan is now being led by a specific post relating to Contract Management. This was filled on an invest to save basis. The cost of engagement was recovered within the first 3 months of a 12 month trial period. The role has been extended, and to date has saved a total of £232,772.

#### 3.6 Partnering

Together with cross directorate collaborative procurement opportunities being sought within the Council, time and effort will also be spent in building partnerships outside the Council both regionally and nationally. Collaborative opportunities are being sought with Districts, Local Authorities, Health and other parts of the public sector. The Council is looking to work with and learn from the private sector, which will allow the Council to consider and implement good practice to be adopted for greater efficiencies.

### 3.7 Market Engagement

Time spent before submissions are invited from bidders, what we term as the 'Discovery' stage, will give a valuable opportunity to identify and outline requirements more clearly, involve users, staff, potential suppliers (large and small and across sectors) early, refine the specification, business case and budget and to select the most appropriate procurement route for the council. This is where the greater value to a procurement project can be gained, so a greater focus on skills in this area is developing.

3.8 Other themes that will be developed are the use of technology and tools; risk management; commercialism and income generation; processes and compliance; communication and charting successes through procurement performance.

3.9 The Strategy complements and supports the work of the 2020 North Yorkshire Programme and links to a number of the cross cutting themes, such as commercial focus; partnership working and alternative delivery models.

## 4.0 **PROCUREMENT STRATEGY PROGRESSION**

### **Strategy Action Plan**

4.1 The procurement strategy has now been implemented through the activities detailed in the Strategy Action Plan, which can be seen in **Appendix 2**.

4.2 The Action Plan has been developed around the themes referred to in Section 3. Each theme has been broken down further in to a number of actions. These actions link directly back to the strategy, particularly around the following parts:

- What we will achieve
- What we need to do to achieve the vision.

4.3 The actions are based around the principles of 'SMART' and have a time frame for completion. The Corporate Procurement Board is accountable for the delivery of the Action Plan and monitors progress on a quarterly basis.

4.4 It was recognised that many of the initial delivery dates set out in The Strategy Action Plan were overly optimistic or in some cases simply unachievable. Following changes in management within procurement, a review was undertaken of the plan and its strand leads. These were revised to reflect a better balance of skills and resources appropriate to the delivery of the strands. In places new leads were identified.

- 4.5 All leads carried out a review of their strand, with new or revised actions and or delivery dates suggested where necessary. They were agreed at Corporate Procurement Board in October 2015. As of June 2016, all strands of the Action Plan are on target. It is envisaged that in 2017 the vast majority of all actions will have been delivered, therefore a substantial update to the strategy will be undertaken.

### **Operational & Strategic Management**

- 4.6 The operational and strategic meetings that allow procurement to operate at the Council have recently been amended to a more appropriate governance structure. On a quarterly basis, the following meetings occur:

- Strategy Action Plan Review Group
- Corporate Procurement Group
- Corporate Procurement Board

- 4.7 The aim of this new arrangement is to put a greater focus on performance and delivery of the procurement strategy. The Strategy Action Plan Review Group exists to lead on delivery of the action plan, and to hold the leads of the strands to account.

Strategy Action Plan Review Group membership consists of:-

|                 |   |
|-----------------|---|
| Kevin Draisey   | Chairperson & Category Management Lead                                  |
| Tom Bryant      | Commercial / Procurement Training Lead                                  |
| Chris Dale      | Partnering Lead   |
| Stacey Speakman | Technology/tools Lead   |
| Chris Dale      | Contract Management Lead  |
| Cathryn Moore   | Risk Management Lead  |
| Rachel Woodward | Commercialism Income generation & Process/Documentation/Compliance Lead |
| Helen Thirkell  | Market Engagement Lead  |
| Vicki Rutledge  | Communications Lead   |
| Sandy Campbell  | Procurement Performance Lead  |

- 4.8 Corporate Procurement Group, is responsible for bringing together a more coherent procurement function. Cross Council working is strengthened and procurement standards are actively championed by members of the group.

Corporate Procurement Group membership consists of:-

|                 |   |
|-----------------|---|
| Kevin Draisey   | Head of Procurement & Contract Management / Chairperson |
| Paul Cresswell  | AD Strategic Resources – Procurement Lead               |
| Tom Bryant      | BES Directorate Procurement Champion                    |
| Rachel Woodward | CS / CYPS Directorate Procurement Champion              |
| Helen Thirkell  | HAS Directorate Procurement Champion                    |
| Cathryn Moore   | Legal Lead  |
| Stuart Cutts    | Veritau   |

- 4.9 Corporate Procurement Board has overall responsibility for the delivery of the corporate procurement strategy and associated action plan. Both the Strategy Action Plan Review

Group and the Corporate Procurement Group feed in / out of the Corporate Procurement Board.

Corporate Procurement Board membership consists of:-

|                |   |
|----------------|---|
| Gary Fielding  | Corporate Director - Strategic Resources, |
| Paul Cresswell | AD Strategic Resources – Procurement Lead |
| Kevin Draisey  | Head of Procurement & Contract Management |
| Anton Hodge    | AD Strategic Resources                    |
| Michael Leah   | AD Strategic Resources                    |
| Cathryn Moore  | Legal Lead                                |

- 4.10 As previously agreed with Management Board, periodic meetings are to be held with key commissioners across the Council so that we can ensure there is good alignment. This has not happened thus far but as the focus shifts towards the “discovery” stage this is coming to the fore and arrangements will be made shortly for this to happen.

### Strategy Targets

- 4.11 Throughout the Strategy’s life its progression will be monitored and recorded by way of a number of wide ranging targets. These include procurement savings which were set at £12m by the end of 2017. This has been determined by reference to information obtained from FPPs.
- 4.12 As of June 2016 current in year savings totaled £4.8m.
- 4.13 The savings target is an annual target, over three years up to 2017. The cumulative effect is a target of £24m. As of June 2016 current savings achieved total £23.4m, with another £2.5m forecast up to 2020.

|   | 2014/15<br>£000's | 2015/16<br>£000's | 2016/17<br>£000's | 2017/18<br>£000's | 2018/19<br>£000's | 2019/20<br>£000's | Total<br>£000's |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Savings on contracts secured to date                      | £6,282            | £6,329            | £4,804            | £3,141            | £2,158            | £697              | <b>£23,411</b>  |
| Forecast savings on contracts to be let (in pipeline FPP) | -                 | £0                | £167              | £727              | £620              | £1,056            | <b>£2,570</b>   |
| <b>Total Anticipated Savings</b>                          | £6,282            | £6,329            | £4,971            | £3,868            | £2,778            | £1,753            | <b>£25,981</b>  |
| <b>Cumulative Procurement Savings (for Graph)</b>         | £6,282            | £12,611           | £17,582           | £21,450           | £24,228           | £25,981           |                 |

- 4.14 It should be noted that the savings are recorded as procurement savings but remain cash reductions within Directorate budgets to avoid double counting – procurement is therefore being used as an enabler of savings for all areas across the Council.
- 4.15 The Council is aiming to be recognised for high performance and has set a target over the next three years of success in procurement awards. The Council were shortlisted for “Most Improved Procurement Operation – Step Change” by the Chartered Institute of Procurement and Supply Procurement Awards. The award ceremony was held in London on September 9<sup>th</sup> 2015. The County Council was not successful in winning the award, but to be shortlisted in a category containing so many high performing organisations reflects well on the procurement team we have. It also demonstrates the improvements in our Corporate Procurement Strategy and the role that procurement can play in helping to deliver further efficiencies.
- 4.16 Through the Corporate Procurement Strategy we are committed to improving our approach to procurement and will continue to develop this approach over the next five years. We will ensure that our approach to procurement is appropriately commercial and our processes stand up to scrutiny and challenge.

## **5.0 RECOMMENDATIONS**

Audit Committee are requested to:-

- a) Note progress on delivering the procurement strategy
- b) Provide comments in order to further add value to the ongoing work on procurement, especially in relation to delivering the procurement strategy.

Gary Fielding  
Corporate Director, Strategic Resources

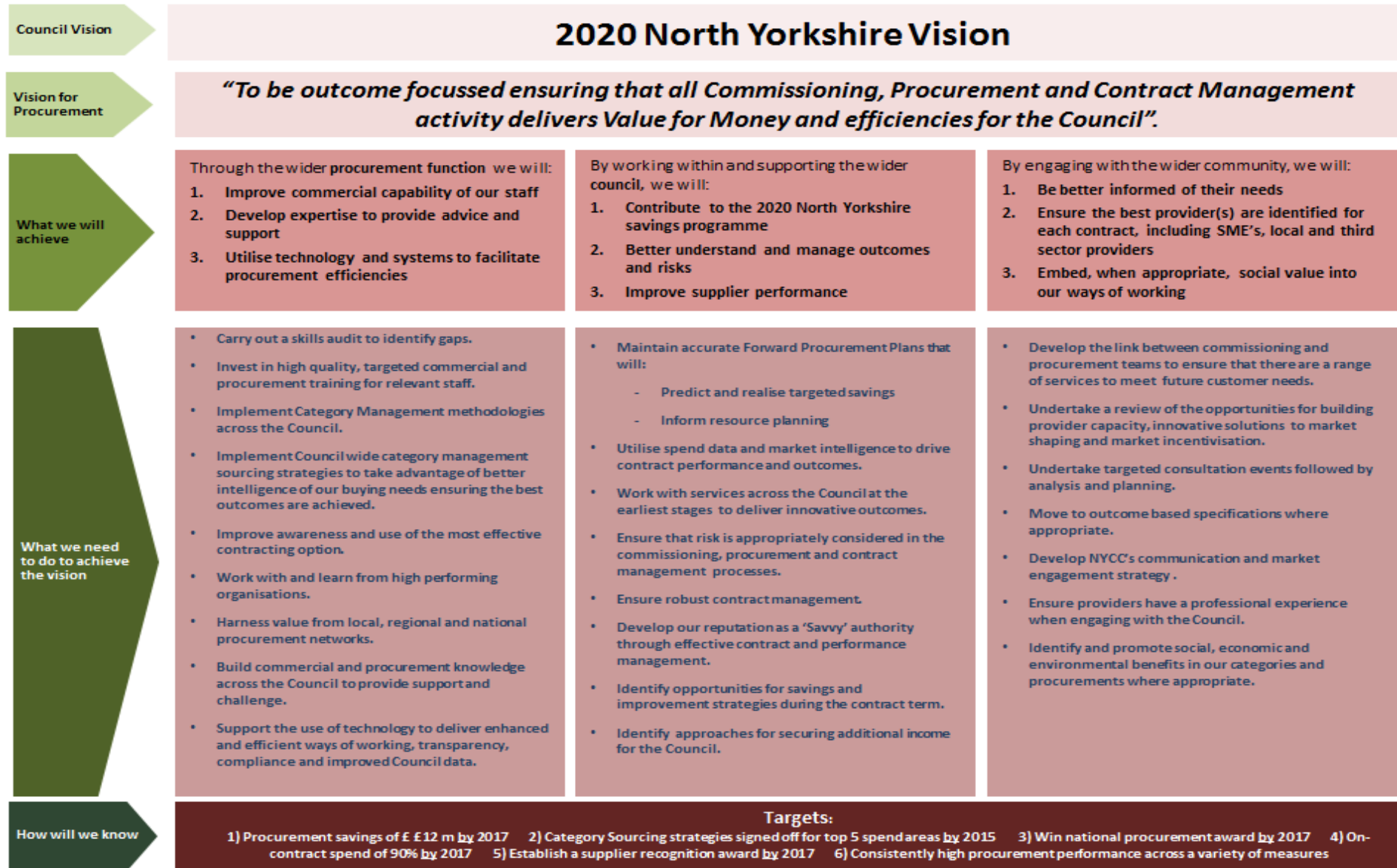
Author of Report –

Kevin Draisey  
Head of Procurement and Contract Management  
08 June 2016





# Corporate Procurement Strategy 2014 - 2020



## Appendix 2 – Strategy Action Plan



MB Appendix 2 -  
Consolidated Procu