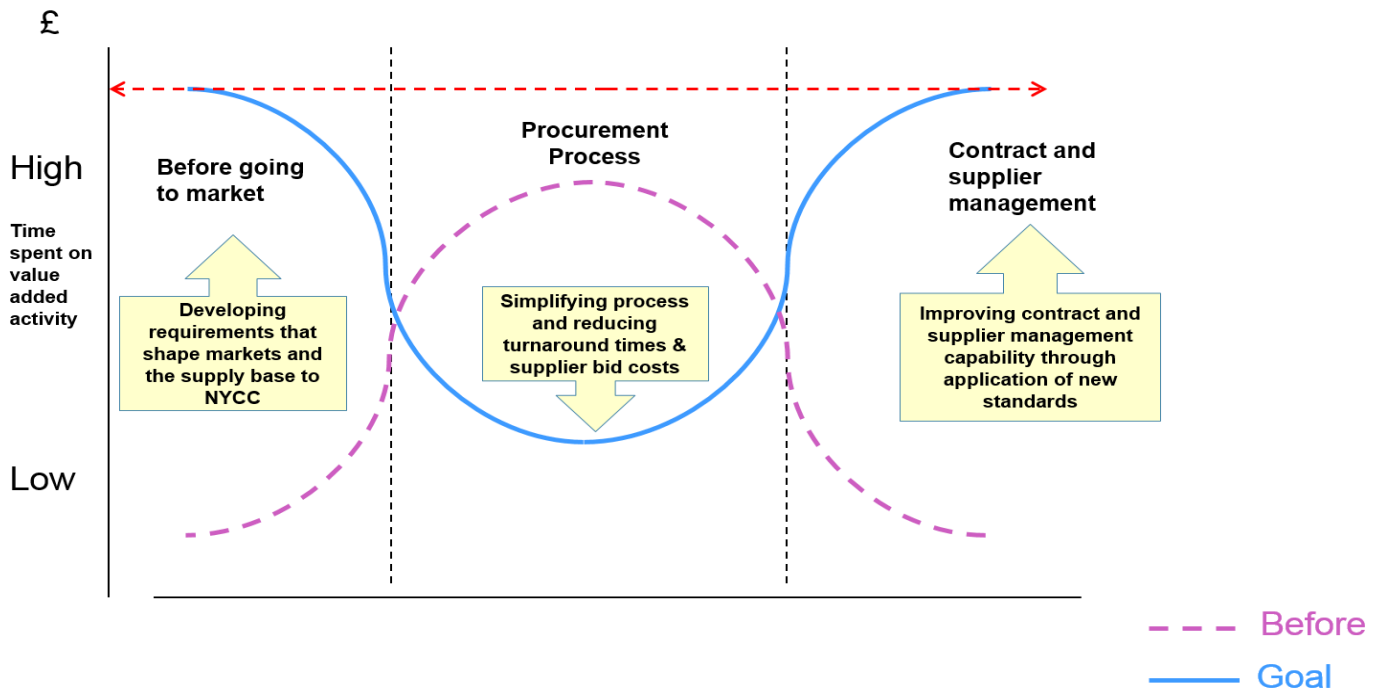


NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****23 JUNE 2017****CORPORATE PROCUREMENT STRATEGY UPDATE****Report from Corporate Director, Strategic Resources****PURPOSE OF THE REPORT**

- 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 over £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 Senior Category Manager) 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 12 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 has been 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 new Procurement and Contract Management service.

In a Category Management approach, procurement staff work together with departmental staff to completely understand the need and the market to then select the best procurement route for the category. To be successful, it requires a completely fresh approach to procurement and a redefinition of the roles and responsibilities of procurement and departmental staff.

The following is a summary of the main stages in a typical category management process:

Stage 1 Identification of Need, Definition of scope and Initiation of Procurement Process

Stage 2 Data Capture, Opportunity Prioritisation and Project Plan development

Stage 3 Detailed analysis of environment and supply market

Stage 4 Sourcing Strategy formation and delivery

Stage 5 Mobilise and implement category strategy

Stage 6 Monitoring and Relationship Management

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 in 2014. The cost of engagement was recovered within the first 3 months of a 12 month trial period. The role has been made permanent as part of the new team structure, and to date has saved a total of £ £528,765.

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 include 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 been implemented through the activities detailed in the Strategy Action Plan, which can be seen in **Appendix 2**.

4.2 The Action Plan was developed around the themes referred to in Section 3. Each theme was broken down further into 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.

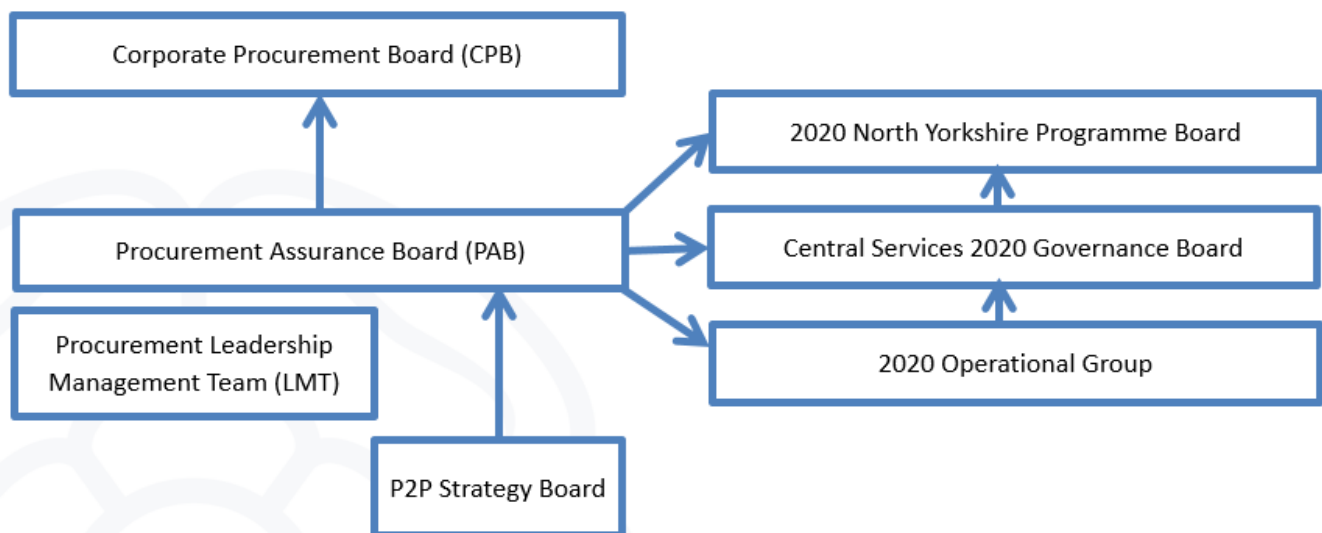
4.3 The actions are based around the principles of ‘SMART’ and have a time frame for completion. The Corporate Procurement Board is accountable for the delivery of the Action Plan and monitors progress on a quarterly basis.

4.4 As of June 2017 the vast majority of actions have now been delivered. In view of this, and the new category management structure and approach to procurement at the Council, a substantial update to the strategy will be undertaken by the Head of Procurement and Contract Management. This update is due for completion by the end of 2017.

New Service Structure and Governance

4.5 For assurance that the Procurement Strategy targets would be met, Management Board agreed to bring the previous North Yorkshire Procurement Service (YPO) contract back into the Council as an internally delivered service. This occurred on the 8th November 2016, and seven staff TUPE transferred into the Council. A restructure of Council procurement staff has since taken place, with the new category management based structure beginning on May 1st 2017.

4.6 The aim of these new arrangements is to put a greater focus on high performance and to assure delivery of the procurement strategy. A new governance structure has been agreed to oversee these new arrangements. Corporate Procurement Board has overall responsibility for procurement, the delivery of the corporate procurement strategy and the associated action plan. The Board is chaired by Gary Fielding, Corporate Director - Strategic Resources. The new structure is detailed in the diagram below:



Savings

4.7 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.

4.8 As of June 2017 current in year savings totaled £3.7m.

4.9 The savings target is an annual target, over three years up to 2017. The cumulative effect is a target of £24m. As of June 2017 current savings achieved total £25.5m, with another £2.7m forecast up to 2020.

	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
Savings on contracts secured to date	£6,282	£6,329	£5,300	£3,722	£2,752	£1,247	£25,552
Forecast savings on contracts to be let (in pipeline FPP)	-	£0	£167	£799	£703	£1,270	£2,743
Total Anticipated Savings	£6,282	£6,329	£5,466	£4,521	£34,455	£2,517	£28,571
Cumulative Procurement Savings (for Graph)	£6,282	£12,611	£18,077	£22,598	£26,054	£28,571	

4.10 It should be noted that the savings detailed above are recorded as procurement savings but remain cash reductions within Directorate budgets to avoid double counting – under this approach procurement has therefore been used as an enabler of savings for all areas across the Council.

4.11 The substantial update to the procurement strategy that will be undertaken this year will include the new target of an additional £1.1m of savings by 2020, including a new approach to delivering the target.

4.12 Through the Corporate Procurement Strategy we are committed to improving our approach to procurement and will continue to develop this approach over the next three 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

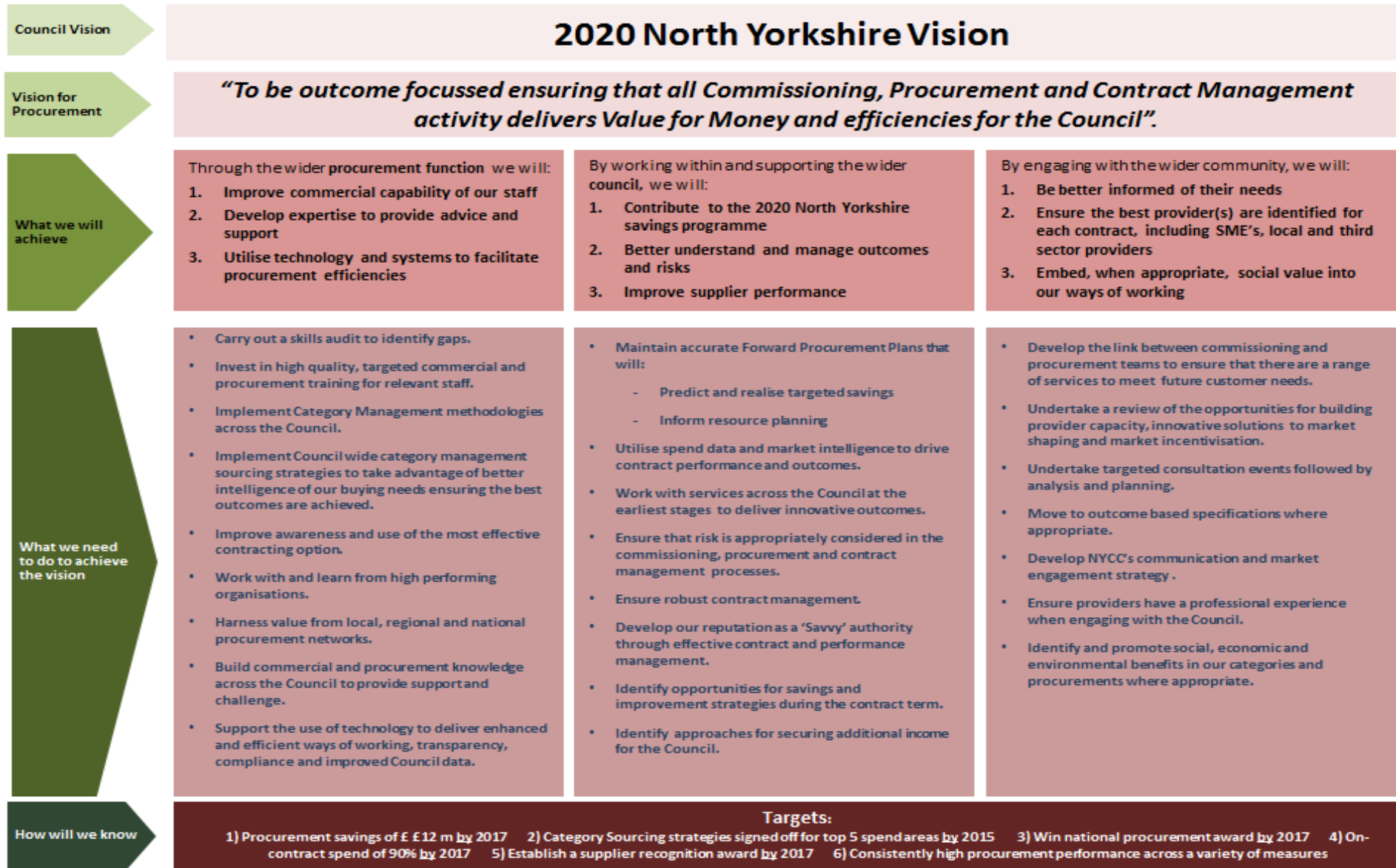
- b) Provide comments in order to further add value to the ongoing work on procurement, especially in relation to delivering the procurement strategy.

Gary Fielding
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Author of Report –

Kevin Draisey
Head of Procurement and Contract Management
07 June 2017

Corporate Procurement Strategy 2014 - 2020



Appendix 2 – Strategy Action Plan



MB Appendix 2 -
Consolidated Procu