

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

13 DECEMBER 2021

PROCUREMENT AND CONTRACT MANAGEMENT UPDATE

Report from Corporate Director, Strategic Resources

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with an update on the work of the Procurement and Contract Management Service, including key achievements, recent activity and the continuing response to the Covid-19 pandemic.

2. BACKGROUND

- 2.1 The Council spends over £430m 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 continues to have good visibility 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 is deployed appropriately to deliver good procurement and value for money across the Council's external expenditure.
- 2.3 This report will set out specific work and achievements of the Procurement and Contract Management Service this year, with a focus on supply chain resilience.

3. KEY ACHIEVEMENTS AND RECENT ACTIVITY

Continuing Response to Covid-19 - Personal Protective Equipment (PPE)

- 3.1 One of the key Covid-19 impacts on the Council was the surge in demand for PPE during 2020 to protect staff against risk of infection. Requirements for PPE exponentially increased. Due to a surge in worldwide demand, there was significant supply chain disruption and price instability. It is within this context the Council was operating when looking to source PPE.
- 3.2 Since the start of the pandemic over 4 million items of PPE have been distributed to 67 sites across North Yorkshire, and includes over 1 million facemasks, 1 million aprons and just under 10,000 litres of hand sanitiser. During 2020 on average 282,000 items of PPE were being distributed on a weekly basis.

- 3.3 The hard work the Council put in during 2020 meant that the Council has never ran out of PPE at any point during the ongoing pandemic. The Council continues to manage its PPE stock levels prudently. Currently the Council holds around 6.9 million items of PPE in stock at a secure storage location, and do not envisage any future supply issues.

Continuing Response to Covid-19 – Supply Chain Resilience

- 3.4 Supply chain resilience arrangements were put in place immediately due to the Covid-19 pandemic. This included pre-emptive targeted support for the Council supply chain and supplier relief due to Covid-19. The intention of these interventions were to secure Council supply chains, ensure service continuity during and after the Covid-19 outbreak and to ensure suppliers at risk would be in a position to resume normal contract delivery once the pandemic was over.
- 3.5 This included setting up a Supply Chain Resilience Board which was a weekly decision making and monitoring board made up of the Corporate Director Strategic Resources (Chair), Assistant Chief Executive (Legal), Assistant Directors Strategic Resources, Head of Procurement and Contract Management, Procurement Governance & Development Manager, and Senior Category Managers. Directorate nominated supply chain contacts and contract managers, including Adult / Children's Social Care, Transport, Social Care, Technology and others attended as and when required.
- 3.6 The intention was to take a proportionate approach and triage suppliers that most needed financial support or could secure and stabilise the key Council supply chains. The first part of the work on supply chain resilience was support for small and medium size enterprises. Very early in the outbreak, the Council agreed to pay all its small and medium size enterprises immediately in an effort to help improve cash flow and ensure businesses did not collapse. This support for the smaller businesses that supply the Council, who are usually paid within 30 days, demonstrated how important they are to our service delivery and the economic vitality of the county. This support continues to this date.
- 3.7 The central governance, coordination and challenge provided the opportunity to give complex financial issues proper consideration and colleagues from across the Council collaborated to deliver the right outcomes for the Council and its supply chains. The process is detailed in **Appendix 1**.
- 3.8 The procurement policy changes and guidance provided by Cabinet Office were unprecedented, and the Council reacted at speed. Supplier relief fell into four categories,
- ***Immediate payment terms***
 - ***Support & Funding on an agreed % sliding scale basis***
 - ***Payments on account***
 - ***Hardship payments***
- 3.9 The Council were the first in the region and one of the first in the country to mobilise a supplier relief process, and many Councils nationally copied the process we developed, including some deemed leaders in local government. In total, over 650 Council suppliers have received some form of supplier relief, to a value of over £20 million. In addition, over 1,000 SME suppliers have benefitted from immediate payments since April 2020.

- 3.10 Supply chain resilience issues have not gone away, and have in fact become more severe in some areas, so this board and process continues as the Council looks to support and get the best from its wider supply chains to support service delivery and transformation.

Wider Supply Chain Support – Go4Growth

- 3.11 The Covid-19 pandemic has undoubtedly had an adverse effect on global trade and supply chains. Unsurprisingly the Council has experienced some price uncertainty and increases in some supply chains. Within this context, supply chain stability and resilience is key, especially for small and medium sized suppliers (SMEs) and Voluntary, Community, Social Enterprise (VCSEs) in North Yorkshire.
- 3.12 In a further attempt to offer support, in April 2021 the Council joined three other Yorkshire Councils to invest in local business development through the Go4Growth programme. The City of Bradford Metropolitan District Council, North Yorkshire County Council, Calderdale Metropolitan Borough Council and Barnsley Council made a commitment to helping smaller organisations to be able to enter or grow in the public sector.
- 3.13 Each of the four Councils have recognised the need to provide more support and guidance for these organisations who find the reality of finding and securing contracts in the public sector disproportionately harder than their larger competitors.
- 3.14 Collectively the four Councils spend in excess of £1.4bn per year on public services and currently buy from a large pool of suppliers. Whilst a proportion of these are small and medium sized organisations across both the business and voluntary sectors, the ambition is to increase this number. SMEs and VCSEs support thriving local communities and the impact of the pandemic has been devastating up and down the country so there has never been a better time to focus developing our local marketplaces as we strive to rebuild communities.
- 3.15 Go4Growth is a programme designed specifically to help smaller organisations in any sector to enter or grow in the public sector marketplace. The programme is funded by the Councils so businesses can join the programme and take the support; guidance, tools and resources on offer, with no cost to them.
- 3.16 The collective ambition is to ensure we attract and work with a diverse range of organisations and the programme will ensure businesses have skills they need to work in our local and regional areas and beyond. We are already learning from the businesses who are engaging with the programme and as this number grows, so too will our knowledge and ability to make improvements.
- 3.17 Ultimately the aim is to positively contribute to the continuing development of a strong, thriving supply base within North Yorkshire that has the skills and confidence to win and deliver public sector contracts successfully, delivering wider social value.

Leadership, Regulatory Reform and Skills Development

- 3.18 The Council continues to play a leading role in procurement and contract management, both regionally and nationally. The Council chairs the YorProcure Strategic Procurement Group of twenty-five public sector bodies in the Yorkshire and Humber region, and represents the region on the Local Government Association National Advisory Group for Procurement, and the Cabinet Office Public Sector Procurement Working Group. This

has included a key role in the local government response to the government green paper consultation on new Public Contract Regulations.

- 3.19 The proposals set out in the Green Paper are intended to shape the future of public procurement in the United Kingdom for many years to come. The government's goal is to speed up and simplify our procurement processes, place value for money at their heart, and unleash opportunities for small businesses, charities and social enterprises to innovate in public service delivery.
- 3.20 It is expected that the government will publish its response to the green paper consultation feedback by the end of November 2021, and the new Public Contract Regulations will come in to force in early 2023. The Procurement and Contract Management Service will lead on appropriate implementation training and awareness building in the lead up to the new regulations becoming law.
- 3.21 To further increase current capability and achievement in contract management at the Council, the Procurement and Contract Management Service has developed and released online contract management training and an associated toolkit for Council contract managers. This continuing roll out of the training and toolkit, alongside improved governance related to contract management will help deliver increased value from Council contracts. Take up remains lower than anticipated, but this will accelerate in the coming year.
- 3.22 In addition, the Contracting and Commissioning Review has identified structural adjustments in staffing that when made will lead to improved consistency and delivery of contract management tasks. Initially this will involve moving contract management staff from HAS and CYPS into the Procurement and Contract Management Service from May 1st 2022. In addition, three category based contract management boards will deliver improved corporate oversight of contract management performance.

Local Government Reorganisation

- 3.23 Local government reorganisation from April 2023 brings challenges and opportunity for procurement and contract management. Spend across all eight Councils is around £565m per year. This spend is across thousands of contracts across multiple spend categories. To illustrate the scale of this spend, based on current forward procurement plans there are over 1,000 procurement projects between now and the end of the first year of the new unitary Council.
- 3.24 Reorganisation to a single unitary Council is likely to result in duplication of contracts with suppliers for the same or similar goods/works/services. With this comes the opportunity to consolidate spend and reduce spend via negotiation.
- 3.25 Planning work is already well underway. This includes work to establish a consolidated contracts register to identify all of the contracts that will be inherited by the new Council, and work to ensure that priority contractual relationships required for vesting day are in place.
- 3.26 Future work will include plans to maximise potential cost savings of contractual relationships via price comparison and negotiation with suppliers, developing and agreeing a supplier engagement strategy to communicate the future way of working with the new unitary Council and any business opportunities and approaches.

4. PROCUREMENT AND CONTRACT MANAGEMENT STRATEGY PROGRESS

- 4.1 The current Procurement and Contract Management Strategy takes into account the need to consider procurement much more widely than the sourcing, evaluation and award processes and is summed up in the vision statement which is:

“Working collaboratively to deliver efficiencies, value for money and sustainable quality through a proactive commercial approach to procurement and commissioning for the communities of North Yorkshire.”

The strategic aims, objectives and priorities are identified and described under 6 themes, which are:

- 1) **Category Management**
- 2) **Technology**
- 3) **Policy and Process**
- 4) **Contract Management**
- 5) **People and Skills**
- 6) **Social Value**

- 4.2 These themes are not designed to work in isolation, and there are a number of positive ambitions associated with these themes which being delivered over the life of the strategy:

- Master category sourcing plans – People, Place & Professional
- Unparalleled increase in supply chain intelligence and understanding
- Achieve savings and value for money for the communities of North Yorkshire
- Support the delivery of quality outcomes for service users
- Support the wider ambitions of the Council and its partners
- Develop a very deep understanding of user needs
- Influence and operate commercially, understanding supply market capabilities.
- Practice robust contract management
- Attract suppliers of all sizes and from all sectors to want to work with the Council
- Attract procurement professionals to want to work for the Council, and
- Be recognised nationally as a procurement centre of excellence and expertise.

- 4.3 The Strategy complements and supports the ongoing transformation work at the Council; helps ensure that commercial arrangements and contracts awarded by the Council provide the very best value for money. We also use our procurement spend to provide the very best social value for our communities.

- 4.4 The procurement and contract management strategy is being monitored through a series of key performance indicators covering the activities detailed in the Strategy Action Plan. The Corporate Procurement Board is accountable for the delivery of the Action Plan and monitors Key Performance Indicators on a quarterly basis.

- 4.5 The latest Procurement and Contract Management Strategy Action Plan KPI figures can be found in **Appendix 2**.

- 4.6 The Procurement and Contract Management Strategy was due to be replaced in 2022, but in light of Local Government Reorganisation it is prudent to delay that work and create

a new Procurement and Contract Management Strategy in 2023 that takes account of the new larger unitary Council.

5. RECOMMENDATIONS

5.1 The Audit Committee are requested to:-

- a) Note progress on key achievements and recent activity.
- b) Provide comments in order to further add value to the ongoing work on procurement and contract management, especially in relation to delivering the procurement and contract management strategy.

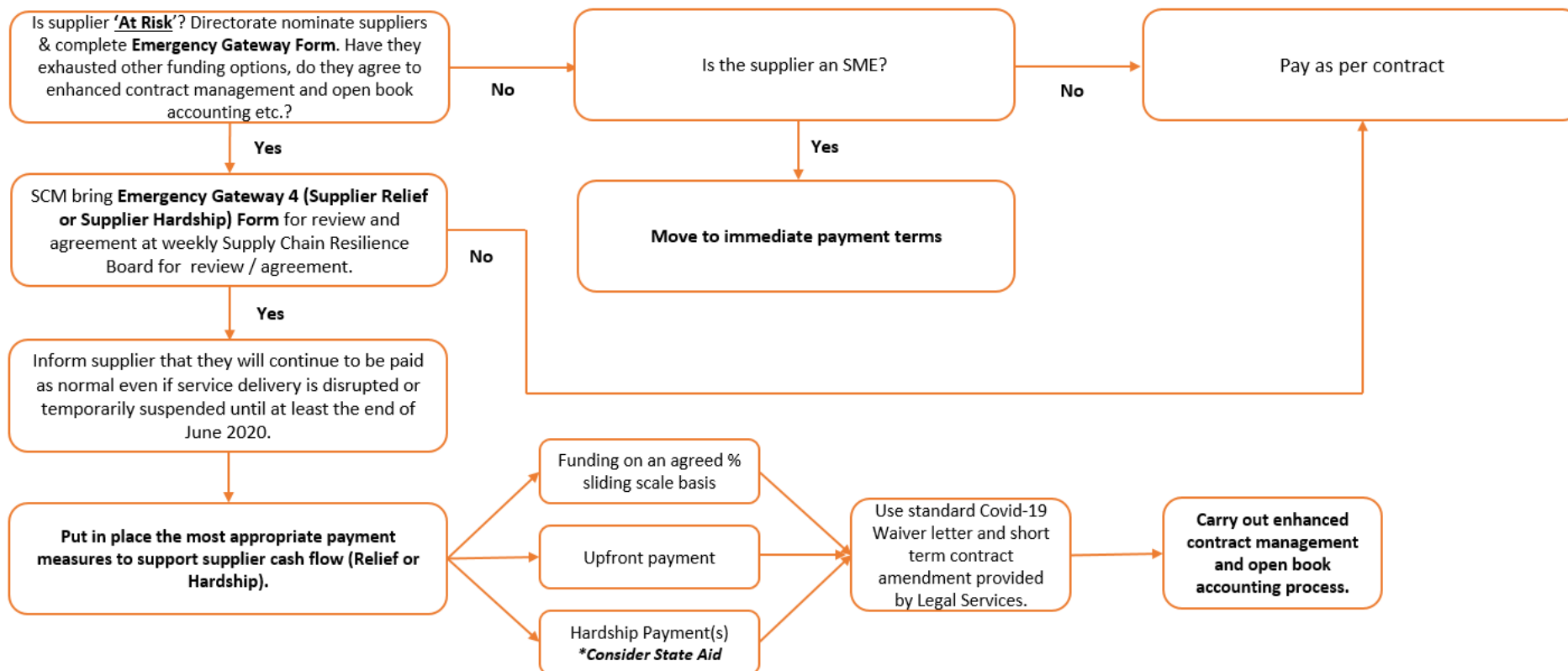
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26 November 2021

Appendix 1 – Supply Chain Resilience Process

Supply Chain Resilience Board – Supplier Relief Decision Process



Appendix 2 – Procurement and Contract Management Strategy Action Plan KPI Figures

Theme group	KPI reference	Measure	Previous Year End Outturn Position	Target	Q1	Q2	Q3	Q4
Category Management	1.1	Delivery of annual Category Sourcing Plans	-	3	-	-		
Technology	2.1	% of categorised spend	99.67%	99.5%	99.69%	99.69%		
Technology	2.2	% P2P licence utilisation	80%	95%	77%	95%		
Technology	2.3	Number of purchase orders generated through P2P	968	11841	1082	1841		
Policy and Process	3.1	Average days taken to complete OJEU procurements	99	110	153	116		
Policy and Process	3.2	% OJEU procurements meeting target 3.1	100%	80%	0%	33%		
Policy and Process	3.3	% PPNs reviewed and associated impact assessment reported to Procurement Assurance Board within 10 working days	100%	100%	100%	100%		
Policy and Process	3.4	% of suppliers who believe doing business with the council is clear, applies appropriate process and is flexible	100%	80%	86%	83%		
Policy and Process	3.5	% of suppliers who rated the Council's market engagement sessions as good or above	-	80%	100%	100%		
Contract Management	4.1	% contract utilisation – on contract spend	83%	70%	82%	77.65%		
People and Skills	5.1	% biennial employee satisfaction	66%	80%	-	81.90%		
People and Skills	5.2	% of operational procurement staff with, or working towards, CIPS accreditation or equivalent	80%	90%	80%	82%		
People and Skills	5.3	% role specific succession plans in place	100%	100%	100%	100%		
People and Skills	5.4	% customer satisfaction good or above	100%	85%	100%	100%		
Social Value	6.1	% of total Council spend with local suppliers	49%	49%	50.1%	50.56%		
Social Value	6.2	% of total Council spend with SME suppliers	53%	45%	52%	56.83%		
Social Value	6.3	% of total Council spend with voluntary and community sector	3%	9%	3%	2.75%		
Supply Chain Savings	7.1	Annual supply chain savings delivered	-	TBC	-	-	-	-