

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

12 DECEMBER 2022

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 supply chain resilience.

2. BACKGROUND

- 2.1 The Council spends over £515m externally each year across both revenue and capital and it is the Council's responsibility to ensure good value for money is achieved in the delivery of our objectives.
- 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 Supply Chain Resilience

- 3.1 Supply chain resilience arrangements were put in place in response to Covid-19. This included targeted support for the Council supply chains. The intention was, as we transitioned back to life post-COVID the need for supply chain resilience would cease. It soon became apparent that the escalating situation in the Ukraine would result in far reaching repercussions.
- 3.2 As a country we now face significant cost of living pressures, not seen since the 1970's. Inflation has increased to 11.05%, a 40 year high. This has resulted in our supply chains which were trying to recover from the pandemic being impacted by a number of factors including escalating fuel costs, access to labor, increased raw material costs, pressure in relation to wages etc.

- 3.3 As a result, the Supply Chain Resilience Board (SCRB), set up in response to triage suppliers at risk due to the pandemic has remained in place. SCRB has been extremely valuable, and it is important it continues as we navigate through the impact of these factors on our supply chains.
- 3.4 The SCRB provides a 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, 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.
- 3.5 The central governance, coordination and challenge provides the opportunity to give complex financial issues proper consideration and colleagues from across the Council collaborate to deliver the right outcomes for the Council and its supply chains.

Wider Supply Chain Support

- 3.6 The wider resilience issues continue to have an adverse effect on global trade and supply chains. Unsurprisingly the Council has experienced price uncertainty in some supply chains. Within this context, supply chain stability and resilience are key, especially for small and medium sized suppliers (SMEs) and Voluntary, Community, Social Enterprise (VCSEs) in North Yorkshire.
- 3.7 As a Council we recognise the need to provide more support and guidance for these organisations who find securing contracts in the public sector disproportionately harder than their larger competitors.
- 3.8 In 2021/22 the councils total spend was £515m, 53% (£274k) of spend was with SMEs and we are committed to supporting more SMEs to do business with the council. Of the 4,797 suppliers the council worked with in 2021/22, 2,527 were SMEs and the ambition is to increase this number.
- 3.9 The council continues to work with Go4Growth, a local organisation with 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 Council and enables businesses to access free support, guidance, tools and resources.
- 3.10 Recently Go4Growth worked with the social care sector on the re-procurement of the Social Care Approved Provider Lists which deliver support to people in residential settings; their homes or providing day services. The work acknowledged some of the barriers the VCSE and SMEs report when trying to do business with councils. A tailored engagement programme was developed to support Providers through the application process and encourage more VCSE/ SMEs to work with us.

Environmental sustainability

- 3.11 Targeted work has been undertaken to engage our supply chains around environmental sustainability. 200 suppliers were contacted however the response rate was 3.5% (7). Working with GoForGrowth research and engagement demonstrates that supplier's describe questionnaire fatigue, with a clear preference for engagement through specific tailored market events.

- 3.12 Work continues with stakeholders within YPO on reducing single use plastics, particularly across the catering and food sectors who supply the Council. Across disposable cutlery and plates in 2021, a third of a tonne of single use plastic has been eliminated from waste by the introduction of sustainable wood alternatives. Rising costs, availability and suitability for purpose of alternatives remain challenges to this sector.
- 3.13 Working with Eunomia Research and Consulting, a gap analysis was undertaken on current performance across the seven summarised criteria:
- corporate goals on carbon reduction, sustainability and the circular economy
 - social value
 - environmental impact
 - regional alignment
 - emissions
 - reducing carbon impact
 - action plan.
- The criteria has been encompassed in the refreshed *Procurement and Contract Management Strategy*.
- 3.14 Funding has been secured from the Beyond Carbon Budget to support the pilot of a social value platform. This will be available free of charge to suppliers and helps them to understand where they are in relation to delivery of social value through their business activities and where there is scope for additional benefits. The platform offers a systemised, and bespoke to each supplier, approach to develop an action plan and aid the suppliers when responding to public sector procurement opportunities which often evaluate some form of social value related to the contract. It also provides to the Council insight into its supply chain's social value maturity identifying the top issues, and developing areas.

Leadership, Regulatory Reform and Skills Development

- 3.15 The Council continues to play a leading role in procurement and contract management, both regionally and nationally. The Council is the deputy chair for 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.
- 3.16 The new Public Contract Regulations will come into force in late 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. The proposals outline the government's goal to speed up and simplify procurement processes, leverage support for national and local outcomes for public benefit and drive social, environmental and economic benefits.

Local Government Reorganisation

- 3.17 Local government reorganisation from April 2023 presents opportunities around bringing together our services and functions and realising efficiencies. Our ultimate priority is to ensure that NYC is safe and legal from day 1.

- 3.18 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.
- 3.19 Processes have been implemented to support the operational delivery and management in line with the S24 notice, including establishing a consolidated contracts register to identify all the contracts the new Authority will inherit. A combined forward procurement plan has also been created to identify all procurement activity and ensure visibility of capital and revenue spend pre-Vesting day.
- 3.20 The county council and district/borough councils have unfortunately seen a number of staff leaving their procurement and contracting services over recent months. In NYCC there has been a turnover rate of around 46% (11 FTEs) since September 2021. It is challenging recruiting into vacancies due to the highly competitive labour market and this leaves us facing some capacity issues. We have already seen the shift of some district/borough staff into NYCC which is adding pressure to colleagues. The recruitment of staff through training programmes has proven to be successful for the service and it is therefore intended that further efforts will be made to help bridge any existing gaps post-LGR.
- 2.1 Future work will include plans to maximise potential cost savings of contractual relationships with suppliers and 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.

3. PROCUREMENT AND CONTRACT MANAGEMENT STRATEGY PROGRESS

- 3.1 The current Procurement and Contract Management Strategy has been reviewed in readiness for the new Authority. The strategy focuses on:
- Sustainability issues and market stability
 - Supporting SMEs/ VCSE sectors
 - Supporting North Yorkshire to have a strong economy
 - Dealing with the carbon agenda and other environmental issues.
- 3.2 The Strategy complements and supports the ongoing transformation work at the Council and 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.
- 3.3 The procurement and contract management strategy is 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. The latest Procurement and Contract Management Strategy Action Plan KPI figures can be found in **Appendix 1**.

4. RECOMMENDATIONS

- 4.1 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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24 November 2022

Appendix 1 – Procurement and Contract Management Strategy Action Plan KPI Figures

Theme group	KPI reference	Measure	2022/23 Target	Q1 Results	Q2 Results	Cumulative Total (Q1 & Q2)
LGR	1.1	Successful transition of service/team into the new council, processes are reviewed, renewed and aligned (cross referenced to KPI refs 4.1, 4.2, 4.3 & 6.5)	N/A	-	-	-
Policy and Governance	2.1	Average days taken to complete above threshold procurements	110 Days	91 Days	90 Days	91 Days
Contract Management	3.1	% contract utilisation	70.00%	79.24% (£102,957,431.37)	83.49% (£110,096,908.13)	81.38% (£213,043,494.50)
Contract Management	3.2	% contract management staff that have or are working towards completing the contract management module	100.00%	100.00%	100.00%	N/A
Value and Savings	4.1	Annual cashable supply chain savings that are delivered	£169,000.00	TBC	TBC	TBC
Value and Savings	4.2	Annual cashable supply chain savings that are secured and not taken	N/A	TBC	TBC	TBC
Value and Savings	4.3	Annual non-cashable supply chain savings	N/A	TBC	TBC	TBC
Sustainability	5.1	% total Council spend with local suppliers	50.00%	54.54% (£70,856,776.32)	55.52% (£73,206,263.92)	55.03% (£144,059,827.50)
Sustainability	5.2	% total Council spend with SME suppliers	50.00%	48.00% (£62,369,373.69)	47.04% (£62,036,278.78)	47.52% (£137,396,221.06)
Sustainability	5.3	% total Council spend with voluntary and community sector	3.00%	4.00% (£5,201,814.05)	2.90% (£3,826,656.83)	3.45% (£9,028,470.88)
Team Development	6.1	% of operational procurement staff with or working towards CIPS accreditation	90.00%	60.00%	73.33%	N/A
Team Development	6.2	% of all Procurement & Contract Management staff with or working towards the Government Commercial Function Foundation Accreditation	100.00%	-	92.31%	N/A
Team Development	6.3	% of contract management staff with or working towards the Government Commercial Function Practitioner Accreditation	100.00%	-	50.00%	N/A
Team Development	6.4	% customer satisfaction rated "fully meets expectation" or above	80.00%	83.33% (5 of 6)	100% (2 of 2)	87.5% (7 of 8)
Team Development	6.5	12 month rolling % staff retention rate and successful TUPE of District staff	75.00%	-	67.26%	N/A
Technology	7.1	% of categorised spend	99.50%	99.81%	99.72%	99.77%

The below summary relates to performance covering April 2022 – September 2022.

Supporting our local economy

Spend with our local suppliers has increased in quarter 2 compared with quarter 1, currently local supplier spend equates to 55.03% (£144m) of the councils total spend (£261m).

Working with SMEs

The British Chambers of Commerce (BCC) in partnership with Tussell published an SME Procurement Tracker for 2022. Within this report it was found that the proportion of Local Government spend with SMEs was 38% of their overall procurement budgets for 2021. Central government spend was only at 11% and the NHS was at 22%¹. Although we are not currently meeting our target (50%) it is recognised that our percentage spend (47.52% - £137m) is still above the Local Government average.

Delivery with our VCSEs

We continue to work with our voluntary and community sector organisations to help deliver services across the authority. Based on data from previous financial years, there is typically a drop in spend with VCSEs in quarter 2. It is anticipated that this is in relation to work peaks within particular markets (e.g. health care) occurring outside of the summer period. The Q2 result for this financial year is higher than last year's Q2 spend percentage which was 2.75%. To date we have spent £9m with the VCSEs and are currently exceeding the 3% target (3.45%). Unfortunately there is no central register of VCSE organisations, as such we rely on suppliers informing us that they are a VCSE to ensure this is captured in the payment system to support accurate reporting. This data is currently under reported.

Investing in team development and skills

As a service we are committed to ensuring the team have access to the right training. Over recent months there has been a higher staff turnover within the team due to career progression opportunities within other public sector originations. However, as the winner of the Procurement Team of the Year 2021/22 at the UK National Go Awards we are seen as a desirable employer for those looking for a career in procurement and contracting within the public sector. As a result many of the roles have been successfully recruited to within this period including individuals from the Districts and Borough Councils in North Yorkshire which is supporting the collaborative working linked to LGR. Due to a number of successful recruitments to the team during this period, a couple of staff have not yet started their training. We have also implemented the GCF contract management training, this is a 6 month training course and the first cohort has just commenced. This training will help the authority improve our approach to contract management and our commercial capabilities.

¹ British Chambers of Commerce & Tussell, SME Procurement Tracker 2022
<https://www.britishchambers.org.uk/media/get/British%20Chambers%20of%20Commerce%20&%20Tussell%20-%20SME%20PROCUREMENT%20TRACKER%202022%20-2.pdf>