

**NORTH YORKSHIRE COUNCIL**

**AUDIT COMMITTEE**

**11 DECEMBER 2023**

**PROCUREMENT AND CONTRACT MANAGEMENT UPDATE**

**Report from Corporate Director, 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 focus on developing and supporting healthy supply chains.

**2. BACKGROUND**

- 2.1. The new Council spends around £650m 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 its objectives.
- 2.2. Third party spend is the largest spend area for the Council. As such procurement and contract management has a key role to play in the Council's transformation programme.
- 2.3. The Council continues to have 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.
- 2.4. During the first year of the new Council the Procurement and Contract Management team have worked with the new Directorates and Service Areas to ensure continuity of service. To support ongoing service delivery, we have in part implemented interim arrangements ahead of wider transformational plans.
- 2.5. This report will set out specific work and achievements of the Procurement and Contract Management Service this year.

**3. KEY ACHIEVEMENTS AND RECENT ACTIVITY**

**Healthy Supply Chains**

- 3.1. Over recent years supply chain resilience arrangements have been in place in response to Covid-19 and subsequently, escalating inflationary pressures. Supply chains which were trying to recover from the pandemic have been impacted by several

factors including escalating fuel costs, access to labour, increased raw material costs, pressure in relation to wages etc.

- 3.2. The ability to drive savings through procurement activity is reducing as suppliers experience continuing cost increases and focus has increased on the value and efficiencies we can deliver through effective contract management, including consolidation of contracting activity for the new Council.
- 3.3. 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), the Voluntary, Community, Social Enterprise (VCSEs) and businesses within the local economy.
- 3.4. In 2022/23 the Council's<sup>1</sup> total spend was £549m across 5,081 suppliers. 55% (2,778) were SMEs, this is an increase from 2021/22 when the Council worked with 2,548 SMEs. The Council spent £270m with these suppliers.
- 3.5. The Council has also seen an increase in the number of local suppliers we do business with. In 2021/22 2,065 suppliers were local to North Yorkshire, this has increased to 2,143 in 2022/23. Spend within the local economy has also increased from £268m in 2021/22 to £300m in 2022/23.

## **Social Value**

- 3.6. 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.
- 3.7. 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. Due to the success, we are looking to run a similar process when we establish the new Dynamic Purchasing System to support the commissioning of home to school transport operators. This is another sector of the market which reports difficulties in accessing public sector contracts and relies on several SMEs/ local businesses.
- 3.8. The work the Council has completed alongside Go4Growth will be part of a case study to share across other public sector organisations and will also be showcased at the Commissioners Conference taking place on the 7th and 8th December 2023.
- 3.9. To drive further increases in spend with SMEs and within the local economy, changes have been made to the Councils Procurement and Contract Procedure Rules, which means where Officers are seeking 3 quotes, quotes should be sought from at least one local supplier based within North Yorkshire and at least one SME.
- 3.10. Funding secured from the Beyond Carbon Budget is being used to support development of the supply chain with particular focus on the SME and micro size

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<sup>1</sup> Data for former North Yorkshire County Council

organisations. The investment provided is to bring a free of charge, online portal to help suppliers develop action plans around social value, developing their understanding, upskilling the market, and improving its ability to understand and respond effectively to public sector procurement opportunities. The portal will provide data to the Council on the maturity in development of the supply chain around social value and the work supply chains are undertaking around climate change/ carbon reduction, job creation, upskilling etc. and top areas of engagement. Mobilisation planning for the launch, in identifying the first pilot batch of suppliers to be invited, is underway with a target of onboarding by January 2024.

### **Leadership, Regulatory Reform and Skills Development**

- 3.11. 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.
- 3.12. The new Public Contract Regulations were originally due to come into force in late 2023, these are now expected to be late 2024. There will be a 6-month mobilisation period.
- 3.13. Further to the new Public Contract Regulations, the government will introduce the new Provider Selection Regime (PSR) from 1 January 2024. We are currently in the 3-month mobilisation period. The PSR will apply to some Public Health contracts e.g., Drug and Alcohol services and Sexual Health services.
- 3.14. 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**

- 3.15. Local government re-organisation from April 2023 presents opportunities around bringing together our services and functions and realising efficiencies. Some notable areas where contracts have been consolidated or are currently being consolidated include:
- Electricity
  - Water
  - Insurance
  - Election management system
  - Gas - underway
  - HR and payroll system - underway
  - Revenue and benefits system - underway
  - Audit services - underway
  - CCTV and security - underway
  - Mechanical and servicing - underway
  - Water hygiene - underway
  - Disabled Facilities Grant - underway

- 3.16. Work continues in relation to identification of duplicate contracts with suppliers for the same or similar goods/works/services. In some instances, there are opportunities to consolidate and reduce spend and contract management resource via negotiation.
- 3.17. A consolidated contracts register has been developed, identifying all the contracts the new Council inherited. A combined forward procurement plan has also been created to identify all procurement activity and ensure visibility of capital and revenue spend. Work continues in relation to improving the visibility and timeliness of procurement / contracting requirements. Recent initiatives such as a contracts amnesty have been undertaken to help identify any remaining unknown contracts.
- 3.18. Prior to LGR the team experienced a high turnover rate, 46% (11 FTEs)<sup>2</sup>. Since April 2023 the turnover rate has reduced considerably and is currently at 14% (4FTEs). Despite the reduction in turnover the significant increase in workload and the training and development of new staff members, means capacity remains an issue. It is challenging recruiting into vacancies due to the highly competitive labour market and this leaves us facing some resource issues.
- 3.19. The way procurement and contract management are structured across the former Councils varies, with fragmentation and inconsistencies in terms of role responsibilities, resources, job titles, job grading etc. This makes it extremely difficult to ensure a consistent approach to procurement and contract management is taken, with the right resources being deployed to the right areas in line with priorities at the right times. The service will be commencing a restructure to ensure a focussed and strategic service, and to secure improvements in service quality and value for money in relation to procurement and contract management for the new Council. Our aim is to achieve greater consistency and standardisation in procurement and contracting support. This will ensure the Council directs effort towards high value or prioritised procurement and contracting. This will create greater resilience and resource capacity to provide procurement and contract management support where it is most needed. We also hope to have a sharper commercial focus on engaging with markets, as well as delivering savings to support the Council's transformation programme through effective contract and supplier relationship management. The new staffing structure is anticipated to go live in early 2024.

#### **4. PROCUREMENT AND CONTRACT MANAGEMENT STRATEGY AND GOVERNANCE FRAMEWORK**

- 4.1. The Procurement and Contract Management Strategy was 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.
- 4.2. The Strategy will be reviewed and refreshed for April 2024. 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 (KPIs) on a quarterly basis. The latest Procurement and

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<sup>2</sup> September 2021 – November 2022

Contract Management Strategy Action Plan KPI figures can be found in Appendix 1. As we have merged the data of 8 organisations, work is still underway to ensure the categorisation of suppliers to support and enable our reporting around several KPIs.

- 4.3. A full review was undertaken of the Council Procurement and Contract Procedure Rules (PCPRS) in readiness for the new Council. A mid-year review has been completed and a few minor amendments agreed to ensure the rules remain fit for purpose. Further to the information in Section 3.12 – 3.14 around the Regulatory reform, a further review will be undertaken to ensure the PCPRs continue to reflect best practice and compliance in relation to demonstrating value for money and helping to drive agendas around supporting our local economy and small and medium enterprises (SMEs).

## **5. RECOMMENDATIONS**

5.1. The Audit Committee are requested to:-

- a) Note progress on key achievements and recent activity.
- b) Provide comments 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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Author of Report –

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1 November 2023

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

Theme group	KPI reference	Measure	2023/24 Targets	Q1 Results	Q2 Results	Cumulative Total (Q1 & Q2)
Policy and Governance	2.1	Average days taken to complete above threshold procurements	110 Days	101 Days	74 Days	89 Days
Policy and Governance	2.2	Average days taken to complete below threshold procurements	55 Days	60 Days	48 Days	54 Days
Policy and Governance	2.3	Average days taken to complete Mini Competitions	55 Days	59 Days	58 Days	58 Days
Contract Management	3.1	% <u>contract</u> utilisation	70.0%	63% (£130,441,961.53)	61% (£119,161,348.64)	62% (£249,577,067.39)
Contract Management	3.2	% Procurement & Contract Management Team staff that have or are working towards completing the contract management module	100%	88%	97%	N/A
Value and Savings	4.1	Annual cashable supply chain savings	N/A	£4,654,751		
Value and Savings	4.2	Annual non-cashable supply chain savings	N/A	£527,786		
Sustainability	5.1	% <u>total</u> Council spend with local suppliers	50.0%	51% (£105,105,209.43)	50% (£97,986,450.25)	50% (£202,527,620.91)
Sustainability	5.2	% <u>total</u> Council spend with SME suppliers	50.0%	41% (£123,815,956.28)	43% (£83,887,771.47)	42% (168,465,943.17)
Sustainability	5.3	% <u>total</u> Council spend with voluntary and community sector	3.0%	3% (£6,154,080.38)	3% (£5,231,655.53)	3% (£11,418,255.31)
Team Development	6.1	% <u>of</u> procurement staff with or working towards CIPS accreditation	90%	63%	68%	N/A
Team Development	6.2	% <u>of</u> all Procurement & Contract Management staff with or working towards the Government Commercial Function Foundation Accreditation	90%	76%	91%	N/A
Team Development	6.3	% <u>of</u> contract management staff with or working towards the Government Commercial Function Practitioner Accreditation	90%	50%	60%	N/A
Team Development	6.4	% <u>customer</u> satisfaction rated "fully meets expectation" or above	80%	100% (5 of 5)	100% (6 of 6)	100% (11 of 11)
Team Development	6.5	12 month rolling % staff retention rate and successful TUPE of District staff	75%	75%	86%	N/A
Technology	7.1	% <u>of</u> categorised spend	99.50%	91.41%	91.14%	N/A

# KPI Summary Statement – Quarter 2 2023/24 performance

The below summary relates to performance covering July 2023 – September 2023.

## Policy and Governance

Within this quarter the procurement and contract management team have delivered 3 above threshold procurements, 4 below threshold and 17 mini competitions via framework arrangements.

Of the 3 above threshold procurements, the days for completion ranged from 64 to 79 days and the average was 74 days which is on target.

Of the 4 below threshold procurements, the days for completion ranged from 28 to 83 days and the average was 48 days which is above the target. There was only one procurement project that was over the 55 day target which was the “Supply of Technical Lighting Equipment for Scarborough Fair” project for which there were delays in the evaluation process, decision record process and obtaining T&Cs to go out with the opportunity.

Of the 17 below threshold procurements, the days for completion ranged from 26 to 131 days and the average was 58 days which is above the target. There were 9 procurement projects that were over the 55 day target which were primarily due to additional clarification requirements which elongated the evaluation period and delays in contract signature for hard copy contracts.

Please note that KPIs 2.2 (Average days taken to complete below threshold procurements) and 2.3 (Average days taken to complete Mini Competitions) are new to this report and the targets have therefore been based on baseline data from 2022/23.

## Contract Management Support

The percentage of on contract spend is at 61% this quarter which is below the target of 70% and lower than last year’s cumulative value of 80%. This is due to the migration of the remaining supplier’s data from the ex-borough and districts which still requires categorisation.

Contract management is a key driver for achieving additional savings and / or service improvements and as such all staff within the procurement and contract management service are to complete the contract management training available on the LearningZone. At the end of the second quarter 97% of staff have completed the training with only 1 staff remaining as outstanding due to long term sick leave.

## Value and Savings

As of this quarter, procurement and contract management have recorded £4,654,751 worth of cashable supply chain savings along with £527,786 worth of non-cashable supply chain savings.

## Sustainability, including expanding opportunities for SMEs, supporting the local economy, and improving environmental

Due to the migration of data from the ex-borough and districts there are a large number of suppliers that require categorising by local, SME and VCSE. As a result, the SME and Local spend percentages have dropped this quarter when compared to last year’s cumulative values (i.e. Local – 55% to 50%; SME – 48% to 42%).

As suppliers are categorised it is anticipated that these figures will go up for the following quarters.

## Team Development (People and Skills)

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 and a number of recruitments are currently out to the market to build capacity within the team.

Last quarter, several staff have not yet started their training regarding the Government Commercial Function Foundation Accreditation or CIPs accreditation due to a number of new recruits and transfers from ex-Borough and Districts into the team. As of this quarter, the majority of staff have now completed the Government Commercial Function Foundation Accreditation with only three staff who have not yet started the course. A review will be undertaken on those that wish to commence their CIPs accreditation this financial year.

We are also in the process of implementing the Government Commercial Function Practitioner training which is a 6 month training course. Due to the time investment for the course, staff are being put through the training in cohorts. The next cohort is due to start next quarter. This training will help the authority improve our approach to contract management and our commercial capabilities.

Overall, the Procurement & Contract Management Team service is meeting the customer satisfaction ratings based on surveys with internal stakeholders. Currently, the number of survey's being completed is quite low and therefore opportunities to improve feedback will be investigated.

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### **Technology**

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Due to the batch migration of data from the ex-borough and districts there is a large number of suppliers that now need to be categorised and as such the percentage of categorised spend has dropped from last year's cumulative value of 99.76% to 91.14% this quarter.