

NORTH YORKSHIRE COUNCIL

AUDIT COMMITTEE

9 DECEMBER 2024

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 Council spends around £830m 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. Third party spend is the largest spend area for the council. As such procurement and contract management continues to play a crucial role 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 Procurement Pipeline (PP). The PP allows Directorates (and their corresponding Senior Commercial Manager) to have an oversight of approaching procurements and contract extensions. 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. This report will set out specific work and achievements of the Procurement and Contract Management Service this year.

3. KEY ACHIEVEMENTS AND RECENT ACTIVITY

Saving opportunities

- 3.1. The recent UK budget has significant implications for procurement and contracting activities within the council. With a focus on enhancing public sector productivity and managing financial pressures, the budget introduces measures aimed at achieving better value for money and greater transparency in procurement processes. This includes increased scrutiny and monitoring of procurement activities to ensure ethical and compliant practices. Additionally, the budget's emphasis on cost-saving and efficiency is likely to influence the council's procurement strategies, encouraging more competitive and innovative approaches to contracting. These changes are expected

to help the Council navigate financial challenges while maintaining high standards in service deliver.

- 3.2. The latest UK inflation rate of 2.3%¹ is bigger than expected and has been driven by a rise in energy prices. The Office for Budget Responsibility (ORB) has outlined the predicted CPI inflation levels through to 2029, predicting that the UK inflation will remain above the Bank of England's target, 2% until 2029².
- 3.3. Within this context, 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 council.
- 3.4. The Procurement and Contract Management Team have rolled out a contract management training programme over the last 6 months, including.
 - Online training for contract managers via the Learning Zone.
 - Briefing sessions on the role and responsibilities of a contract manager.
 - Training on the new requirements for contract managers linked to the implementation of the Procurement Act 2023.
 - Drop-in-sessions at locality hubs to support contract managers.
 - Access to the Government Commercial, Foundation and Beyond Foundation online contract management training modules and toolkit.

SMEs and the local economy

- 3.5. 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.
- 3.6. In 2023/24 the councils total spend was £830m across 10,513 suppliers. 44% (5,061) were SMEs, this is an increase from 2022/23 when the council worked with 2,788 SMEs. The council spent £361m with these suppliers.
- 3.7. The council has also seen an increase in the number of local suppliers we do business with. In 2022/23, 2,140 (54%) of suppliers were local to North Yorkshire, this has increased to 4,685 (49%) in 2023/24³. Spend within the local economy has increased from £290m in 2022/23 to £412m in 2023/24.

Social Value

- 3.8. 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.
- 3.9. The Procurement and Contract Management Team have developed a social value charter, aligned to the council plan to help suppliers understand the social value North Yorkshire council is committed to achieve through our supply chains (see Appendix 1).

¹ October 2024

² OBR say CPI inflation will average; 2.5% 2024; 2.6% in 2025; 2.3% in 2026; 2.1% in 2027; 2.1% in 2028; 2.0% in 2029.

³ Total 3rd party spend 2022/23 - £549m. 2023/24 - £830m. Please note new Authority came into effect 1 April 2023.

The team will pilot the use of the charter within forthcoming procurements and engage suppliers through market engagement to help understand the concept and value.

3.10. A pilot has recently concluded looking at how the council can support development of the supply chain with particular focus on the SME and micro size organisations. The pilot provided a free of charge, online portal aimed at helping suppliers develop action plans around social value and improve the markets' ability to understand and respond effectively to public sector procurement opportunities. 12 Technology suppliers and 164 passenger transport operators were invited to take part in the pilot. The response rate was unfortunately only 6%. The feedback from suppliers included:

- Portal easy to use.
- Clear what input is needed.
- Each section can easily be saved so you can come back to the plan.
- There are several different platforms in use – need for consistency across public sector.
- Already have a plan in place and monitor progress, would prefer to use this.
- Needs to be meaningful to NYC, too generic.
- Geared to larger suppliers, greater focus on SMEs/ sole traders required.

The Procurement Team engaged the Climate Change Team to seek feedback on the portal and potential areas which would add value to the council. This primarily focuses on net zero targets and life cycle assessments for supplier products.

Despite the pilot engagement being disappointing it has demonstrated that the market already has plans in place and in many cases is actively working on this agenda. The Social Value Charter roll-out is aimed at re-using what suppliers already have in-place to support delivery of social value for our communities.

Modern Slavery

3.11. As a council we play a crucial role in combating modern slavery through vigilant procurement practices. We have stringent due diligence to identify and mitigate risks within supply chains as part of the tendering process. More work is required, specifically around our monitoring processes, for example conducting regular audits, and ensuring compliance with the Modern Slavery Act 2015. Such measures help prevent exploitation and promote ethical standards across all contracting areas.

3.12. A regional task and finish group (T&F) has been established, reviewing our approach and response. The key sectors identified regionally are Construction and Health and Social Care. Work is underway to identify common suppliers in these sectors to engage and conduct the Modern Slavery Assessment Tool⁴. The T&F group will also develop a supplier code of conduct linked to the Procurement Policy Note⁵ and Cabinet Office guidance supporting a consistent approach regionally, aligning to the national agenda and standardising messaging to suppliers.

Leadership, Regulatory Reform and Skills Development

3.13. The Council continues to play a leading role in procurement and contract management, both regionally and nationally. The Council is the chair/deputy chair for

⁴ [Modern slavery assessment tool | Local Government Association](#)

⁵ [PPN 02/23 - Tackling Modern Slavery in Government Supply Chains - Guidance \(HTML\) - GOV.UK](#)

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.

- 3.14. The new Procurement Act 2023 was originally due to come into force in October 2024, this has since been delayed until 24 February 2025. The delay is due to the new Labour Government re-drafting the National Procurement Policy Statement.
- 3.15. The Procurement Act 2023 aims to simplify and improve the procurement process by:
- Making public procurement more flexible and more transparent.
 - Introducing new opportunities that benefit suppliers of all sizes, including SMEs and VCSEs.
- 3.16. Veritau have recently completed a readiness review in relation to the council's implementation and preparedness for the go-live of the new Act. The audit demonstrated the service has a clear plan in place with timescales and responsibilities for completion. Actions are on track for completion and progress is reported through to the Corporate Procurement Board. Overall, the audit found a sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support achievement of objectives, leading to an overall assessment of substantial assurance.

AI and the use of technology

- 3.17. Technology plays a crucial role in procurement and contract management by helping to streamline processes, improve efficiency and enhance decision making.
- 3.18. The formation of North Yorkshire Council has impacted the data quality around the councils spend analytics and work continues in this area to improve our data quality. This in turn supports better budget management, analysis of spend and cost-saving opportunities.
- 3.19. The e-tendering system provides a single system for suppliers to register interest in council contracting opportunities. The same system is used across the Yorkshire and Humber region, widening the opportunities. The system supports the council in complying with current procurement regulations and will continue to support us in the increased transparency requirements under the new legislation.
- 3.20. As part of the Procurement Act the Cabinet Office is implementing a Central Digital Platform (CDP) which suppliers will register on and mean they only input their information once. The new CDP links to Companies House, meaning supplier information will self-populate.
- 3.21. AI systems, tools and products are part of a rapidly growing and evolving market which bring about new opportunities as well as new risks. The use of AI is not prohibited in the assistance of producing any part of the tender submission or in the delivery of any services / goods / works to the council however the council needs to understand the risks associated with the use of AI in these circumstances. As such, suppliers are required to disclose the use of AI where it has been used to assist with producing a tender submission or where AI will be used in the delivery of the contract.

Local Government Reorganisation

- 3.22. Since April 2023 the council has saved £10.1m linked to procurement and contracting activity by bringing together services and functions and realising efficiencies (£1.6m non-cashable / £8.5m cashable).
- 3.23. Work continues in relation to streamlining contracts and aggregating spend with suppliers for the same or similar goods/works/services. In some instances, there are opportunities to reduce spend through more proactive contract management, supplier negotiation and improved supplier relationship management.
- 3.24. Visibility and timeliness of procurement / contracting requirements has improved significantly and is due to the direct work the team has undertaken in relation to training; relationship building and awareness raising.
- 3.25. Since the last update to the Audit Committee the Procurement and Contract Management Service have completed and implemented the new service structure on 1 May 2024. This resulted in a clearly defined structure, with career progression and consistency in roles/ responsibilities. The team has continued to deliver throughout a period of unprecedented change, and further to this have also had to prepare for regulatory change in their field of expertise.
- 3.26. The staff turnover within the team is 18.4% (4 FTEs) with a stable team in place. The staff survey results demonstrated that the overall satisfaction across the 4 main areas outperformed the council averages:
- Me and my role – 79.6% (77.9%)
 - My line manager - 82.4% (78.5%)
 - Senior management 62.8% (55.3%)
 - One council - 63.4% (62.9%)
- 3.27. A significant amount of time and effort has been spent with the team building relationships and supporting team cohesion. Training and development have been at the heart of several team sessions helping to support knowledge development and sharing. As part of the new service the Local Partnerships completed a process mapping review of the team's governance and working practices to help identify opportunities to streamline our ways of working. This was a successful session bringing together the new team and gaining valuable input for external experts.

4. PROCUREMENT AND CONTRACT MANAGEMENT STRATEGY AND GOVERNANCE FRAMEWORK

- 4.1. The Procurement and Contract Management Strategy was reviewed in readiness for the period 1 April 2024 – 31 March 2025. 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 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 KPI figures can be found in Appendix 2.

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.

Gary Fielding
Corporate Director, Resources

Author of Report –

Rachel Woodward
Head of Procurement and Contract Management
20 November 2024

Appendix 1

Commitment

North Yorkshire Council recognises the role we play in enhancing the well-being of our community. We are committed to creating positive social impact through our supply chains. This charter outlines our principles and objectives for delivering social value working with our supply chains and communities.

Principles

Place and Environment (Community Approach):

- We prioritise the needs and aspirations of our residents, businesses, and local organisations.
- Our policies and initiatives aim to improve quality of life, promote inclusivity, and address inequalities.
- Support grassroots projects and volunteer efforts by connecting businesses with opportunities to support local projects.
- Our services are accessible to all, regardless of background or ability.

(Environmental):

- We champion sustainability, aiming for a greener, cleaner community.
- Projects minimise environmental impact and enhance biodiversity.
- Enable cleaner logistics within our supply chains.
- We are committed to operational Net Zero by 2030.
- We will work with our supply chains to understand scope 3 emissions and work collaboratively to aim to reduce.
- We will specifically focus on working with our care sector and suppliers across our corporate estate to understand opportunities to shift to low carbon vehicles/ reduce emissions.

Collaboration and Engagement:

- We actively engage with stakeholders, including businesses, partner organisations, communities, and service users.
- Collaboration fosters innovative solutions and ensures that social value is co-created.
- Support skills development for our SMEs⁶ and VCSEs⁷ around bid writing and social value with the support of GoForGrowth.

Economy:

⁶ Small and Medium Enterprises

⁷ Voluntary, Community and Social Enterprise

- We support local businesses, job creation, and economic growth.
- We will improve the range of employment opportunities for Young People through our Young Persons Employability Charter.
- Procurement decisions consider social, environmental, and economic factors.
- Prioritise suppliers committed to social responsibility.
- Consider social value when awarding contracts.

Health and Wellbeing:

- We invest in health services, mental health support, and leisure facilities.
- Promoting physical activity, mental resilience, and social connections is a priority.

People (Education and Lifelong Learning):

- We collaborate with schools, colleges, and training providers.
- Lifelong learning opportunities empower individuals and contribute to community development.
- Promote apprenticeships, training, and employment opportunities through our supply chains.
- Support local talent and nurture skills development.

By adhering to this charter, we pledge to create a thriving, compassionate, and resilient community for all.

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

Theme group	KPI reference	Measure	2024/25 Targets	Q1 Results	Q2 Results	Cumulative Total (Q1 & Q2)
Policy and Process	2.1	Average days taken to complete above threshold procurements	110 Days	150 Days (2 Projects)	112 Days (3 Projects)	127 Days (5 Projects)
Policy and Process	2.2	Average days taken to complete below threshold procurements	55 Days	47 Days (4 Projects)	50 Days (5 Projects)	49 Days (9 Projects)
Policy and Process	2.3	Average days taken to complete Mini Competitions	55 Days	47 Days (16 Projects)	51 Days (26 Projects)	50 Days (43 Projects)
Contract Management	3.1	% Procurement & Contract Management Team staff that have or are working towards completing the NYC contract management module	100%	94%	94%	N/A
Value and Savings	4.1	Annual cashable supply chain savings	N/A	£3,422,096		
Value and Savings	4.2	Annual non-cashable supply chain savings	N/A	£844,584		
Sustainability	5.1	% total Council spend with local suppliers	50.0%	50% (£108,562,521.71)	51% (£108,199,248.41)	51% (£217,480,119.54)
Sustainability	5.2	% total Council spend with SME suppliers	50.0%	54% (£116,259,015.55)	46% (£97,827,555.94)	54% (£231,623,198.59)
Sustainability	5.3	% total Council spend with voluntary and community sector	3.0%	4% (£7,615,527.11)	4% (£8,803,794.79)	4% (£16,436,132.90)
People & Skills	6.1	% of procurement staff with or working towards CIPS accreditation	90%	94%	83%	N/A
People & Skills	6.2	% of all Procurement & Contract Management staff with or working towards the Government Commercial Function Foundation Accreditation	90%	94%	94%	N/A
People & Skills	6.3	% of contract management staff with or working towards the Government Commercial Function Practitioner Accreditation	90%	73%	50%	N/A
People & Skills	6.4	% customer satisfaction rated "fully meets expectation" or above	80%	100% (9 of 9)	100% (7 of 7)	100% (16 of 16)

Theme group	KPI reference	Measure	2024/25 Targets	Q1 Results	Q2 Results	Cumulative Total (Q1 & Q2)
People & Skills	6.5	12 month rolling % staff retention rate	75%	83.80%	81.56%	N/A
Technology	7.1	% of categorised spend	99.50%	94.84%	95.10%	N/A

KPI Summary Statement – Quarter 2 2024/25 performance

The below summary relates to performance covering July 2024 – September 2024.

Policy and Process

Within this quarter the procurement and contract management team have delivered 3 above threshold procurement, 5 below threshold and 26 mini competitions via framework or DPS arrangements.

Benchmark data for Yorkshire & Humber for 2023/24 shows.

- the average days taken to complete above threshold procurements for the region is 164 days which demonstrates that our performance is above the regional figures.
- the average days taken to complete below threshold procurements for the region is 137 days which demonstrates our high performance in this area.
- the average days taken to complete mini competitions for the region is 107 days which demonstrates our high performance in this area.

Contract Management

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. A new starter joined the team this quarter and another has yet to complete the training so the percentage figure is 94%. It is anticipated that these staff will have completed this training for the next quarter.

Value and Savings

As of the end of this quarter, procurement and contract management have recorded ~£3,422,096 of cashable supply chain savings along with ~£844,584 of non-cashable supply chain savings.

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

As of the end of this quarter all targets for local supplier and voluntary and community sector spend have been achieved. The SME spend has dropped slightly below the target this quarter but the cumulative total for the year is still above target.

It should be noted that there are concerns around the quality of all the data within the finance system and a full data review will be undertaken as part of the financial management system renewal procurement which is currently underway.

People and Skills

The majority of staff within the team have completed, or are in the process of completing, their Government Commercial Function Foundation Accreditation with only 3 newer members of the team yet to start.

The Government Commercial Function Practitioner course is currently not taking on any new learners and as such the next cohort of staff cannot be booked on. Furthermore, we have had new members of staff join the contract management team which this has resulted in a decrease in the completion percentage from Quarter 1.

In relation to CIPs accreditation, most of the team are in progress or have completed the accreditation with only 3 staff members currently awaiting the next cohort. This figure dropped for quarter 2 as a new staff member has joined without the accreditation.

Staff retention has remained above the target and following the restructure of the procurement and contract management service we have successfully recruited additional staff to several vacant posts through a recruitment campaign. All staff hired through the recruitment campaign have now started their roles within the Council.

Overall, the Procurement & Contract Management Team service is meeting the customer satisfaction ratings based on surveys with internal stakeholders. The team will continue to encourage clients to fill in these forms where appropriate.

Technology

The percentage of categorised spend has gone up from quarter 1 but is still below the target value.

Due to the batch manual migration of data from the ex-borough and districts there is a large number of suppliers that now need to be categorised / re-categorised. A full data review will be undertaken as part of the financial management system renewal procurement which is currently underway.