

Procurement Update

Purpose of Report

1. This report sets out a range of performance information for procurement and compares this to the position in other councils. An update report on procurement activity was presented to this Committee in January 2016. Members asked to see comparative information from other Councils to determine how well the procurement service was functioning within the Council.

Analysis of expenditure and benchmarking information

2. The Council spent £146m on goods and services during 2015/16 of which approximately 70% was in contract, no change from the previous year. The team will continue to work on engaging staff across the Council to improve the position. There has been continued improvement in the reach of the Commercial Procurement Team from 18% in 2012/13, 32% in 2013/14, 41% in 2014/15 and 50% in 2015/16
3. The table below compares our 2014/15 performance with the region. This information is collated by Leeds City Council on behalf of the regional Strategic Procurement Group. However, out of the 22 authorities in Yorkshire & Humber, only 10 returns were received. This relatively low return rate means that the results needed to be treated with some caution, however they are the best figures we have available to us at this time.
- 4.

Indicator	York 2015/16	York 2014/15	Region average 2014/15	Is York better or worse than region?
Total cost of Procurement as a % of organisational running costs	0.15%	0.16%	0.19%	Better
Total cost of Procurement as a % of third party spend	0.20%	0.22%	0.35%	Better
% channelled directly through Small & Medium Enterprises (SMEs)	56%	53%	43.36%	Better

% of spend via Local Suppliers (in this context local means within the Yorkshire & Humber Region)	60%	57%	42.19%	Better
FTE's Professionally qualified as a percentage of total procurement FTE's	11.1%	11.1%	41.19%	Worse
Spend managed via structured category management	50%	41%	67.15%	Worse

Table 1 – regional benchmarking information

5. This comparison tells us that York spends less on the procurement function than its neighbours, both as a percentage of total running costs and as a percentage of total spend and we have fewer qualified staff (just one out of 9 in the team). This reflects the Councils view that the currently available procurement qualifications are more focussed on process and does not cover all the commercial skills the Council requires to drive down costs and deliver best value. Less spend is managed through the procurement team, which reflects the relatively small size of the procurement function in York.
6. It also shows that we perform better than others in spending within the Yorkshire and Humber region and in our use of SMEs.
7. Further analysis is available on the type of organisation the Council spends money with. The tables below show the total expenditure with third party suppliers for 2014/15 and 2015/16, split by organisation size and location.

Size of business	2014/15 spend £'000	2014/15 % of total	Of which in Yorkshire & Humber £'000	Of which in a YO postcode £'000
Micro (less than 10 employees)	12,059	8	8,875	6,210
Small (11 to 49 employees)	39,380	26	29,559	21,783
Medium (50 to 249 employees)	29,068	19	16,793	7,234
Large (250 or more employees)	70,494	47	30,535	13,896
Supplier size not known	129	0	86	84
Total	151,130	100	85,848	49,207

Table 2 - 2014/15 expenditure by supplier type and region

Size of business	2015/16 spend £'000	2015/16 % of total	Of which in Yorkshire & Humber £'000	Of which in a YO postcode £'000
Micro (less than 10 employees)	10,718	7	8,261	6,387
Small (11 to 49 employees)	43,987	30	33,935	22,499
Medium (50 to 249 employees)	27,577	19	15,414	8,908
Large (250 or more employees)	64,451	44	30,727	15,120
Supplier size not known	36	0	33	33
Total	146,769	100	88,371	52,947

Table 3 - 2015/16 expenditure by supplier type and region

8. This information demonstrates that there has been continued improvement in spend with both local suppliers and small and medium enterprises (SMEs) despite an overall reduction in Council expenditure.

Other issues and regional procurement opportunities

9. York, along with most other councils in the Yorkshire & Humber area, operates a category management approach to procurement. This essentially means that the team is structured to reflect the categories of goods and services we buy, rather than the directorates who buy them, ensuring a joined up approach to supplier management and expenditure across the council.
10. All councils in the region use a common system to advertise tender opportunities, called Yortender. This system allows any supplier to register on the system and receive alerts to let them know when tenders are advertised. The system is currently funded from regional monies and costs the region just £20k per year. Further charges to the council for the use of this system are very small (just £912 in 2015/16) and it therefore represents excellent value for money. The system also allows us to meet the requirements of the Local Government Transparency Code as it is available to anyone to view the current contract register and tender opportunities. Training on how to use the system is available for any supplier, but priority is given to local suppliers, and the team are planning a “drop in” event where small York based businesses can receive one to one training on the system as well as help in setting up an email address if they don't currently have one.
11. North Yorkshire County Council has recently embarked on a strategic review of procurement and we will continue to liaise with them, and other local partners as appropriate, on regional and collaborative opportunities. Dialogue on the shared service agenda has been opened up, but there are a range of issues that would need to be considered before advancing further with this. Regional procurement can be complex for various reasons due to different contract end dates and the local nature of services. It can be very difficult to match opportunities at the right time and generally some compromise is required by all parties concerned. Even if councils require exactly the same outputs, their current contractual arrangements can mean that often one council is unwilling or unable to wait for the other council's contracts to end.
12. A refresh of the Council's procurement strategy is also underway and will be reported to the decision session of the Executive Member for Finance & Performance later this calendar year.

Defining Commissioning & Procurement

13. Commissioning is the strategic activity of assessing needs, resources and current services, to develop a strategy to make best use of available resources to meet the assessed needs and desired outcomes. It is the informed design of what we want to deliver as our core business in meeting our priority outcomes for residents.
14. Procurement is the process of acquiring goods, works and services, covering acquisition from both third parties and in-house providers. The process spans the whole life cycle from identification of needs, through to the end of a works or services contract or the end of the useful life of an asset. It is supply market facing with its internal customer in the council. It involves options appraisal and the critical 'make or buy' decision.
Procurement seeks value for money in how we deliver commissioning plans.
15. Commissioning & Procurement are not mutually exclusive. The procurement function is designed to support and deliver the commissioners intentions in a legal and compliant manner. Whilst the procurement function sits centrally within the council, and commissioning sits within departments it is key that we develop and maintain strategic links to commissioners to ensure procurement activities are undertaken efficiently and economically. The Council's Category Management approach to procurement brings together the expertise from commissioning and procurement across the Council to identify the most appropriate and effective approach to deliver required outcomes.

Conclusion

16. The Council performs well, when compared to the region, in the use of SMEs and local businesses and despite an overall reduction in expenditure performance has continued to improve from 2014/15 to 2015/16. Some £57.6m has been spent with SMEs in Yorkshire & Humber, £37.8m of which was directly with businesses with a YO postcode.
17. Clearly, there is always room for improvement and the procurement team will continue to work hard on engaging with the local business community. Other areas for continued improvement include strengthening the links with commissioners and ensuring procurement is an early consideration in any service planning. July Audit and Governance Committee approved a refresh of the Councils Contract Procedure Rules for final agreement at Full Council. We will take this opportunity to highlight awareness of procurement by delivering a comprehensive training programme to help with improvement in contract management, visibility of spend and value for money. However,

given the relatively small size of the team, there are limits to how quickly and how much performance can be improved.

18. In light of the continued financial challenge being faced by all aspects of the public sector, the procurement team will continue to maintain its focus on driving down costs and delivering value.

Recommendation

19. Members are asked to note the contents of the report.

Reason: To update the Committee on current procurement activity

Author:	Chief Officer responsible for the report:		
Debbie Mitchell Finance & Procurement Manager Ext 4161	Tracey Carter Assistant Director - Finance, Asset Management & Procurement		
	Report Approved	√	Date 11 th July 2016
Wards Affected: <i>All</i>			
For further information please contact the author of the report			