

## **Procurement and Commissioning Scrutiny**

### **Summary**

1. The Corporate and Scrutiny Management Committee has identified Procurement as a scrutiny topic for 2013/14. No particular focus has been identified so this report provides an overview of the strategic approach being taken by City of York Council regarding procurement and commissioning and gives an update on progress in delivering the agreed strategy.

### **Background**

2. In April 2012 Cabinet agreed a Procurement and Commissioning Strategy for 2012 to 2014. This set out a vision  
  
“To work together with partners and suppliers to develop imaginative commissioning and procurement solutions that deliver quality, value for money goods and services and deliver broader economic social and environmental outcomes”
3. The Strategy is attached as Annex A and it sets out a transformational approach to ensure we get best financial, social economic and environmental value from our spend on goods and services.
4. Procurement and Commissioning is also a part of the current Business Support review which is being undertaken. The purpose of including it within this review is twofold, to review progress in delivering this strategic agenda and to explore how the whole organisation will create stronger links between our activity as commissioners of services and our commercial activities to source from an increasingly complex market.
5. In 2012/13 the Council spent in the region of £120m on goods and services. This is both revenue and capital and covers spend across General Fund, HRA and DSG. In this year this includes significant one off

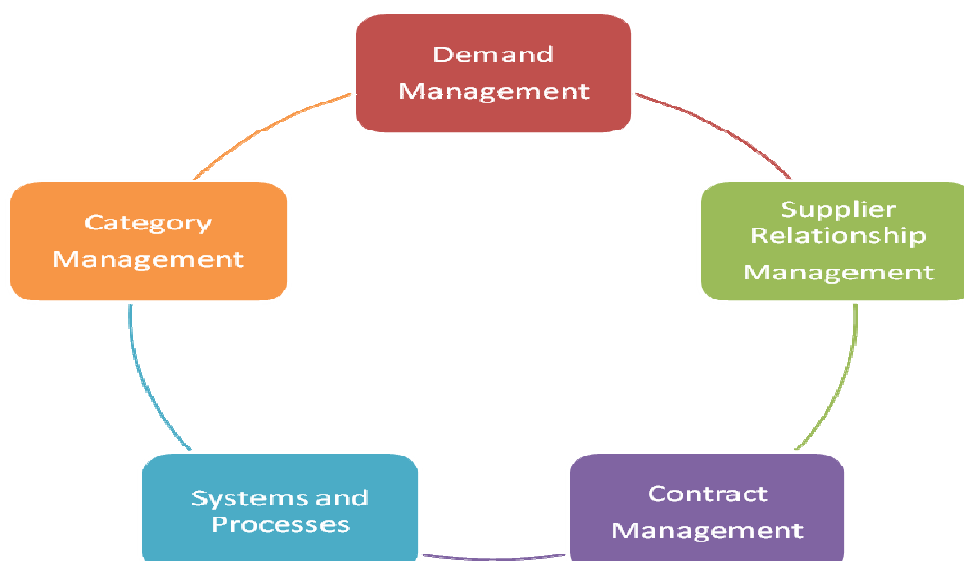
capital spend on West Offices. Clearly spend on this scale is a priority for CYC when looking to reduce costs and deliver effective services at a time of severe financial constraint

6. The approach taken to procurement within CYC is a hub and spoke one with the vast majority of procurement and commissioning activity taking place within the individual business areas with advice support and commercial challenge being provided by a modestly scaled Commercial Procurement Team with :-
  - Head of Commercial Procurement G12
  - 4 Category Managers G10/11
  - 3 Category Officers G6
  - 1 Compliance Officer/analyst G8
7. The team has experienced turbulent turnover rates over the last 12 months with all senior staff either leaving or being seconded to other roles. An Interim Head of Service has led the restructure and recruitment activity to put a new team together. We face increasing difficulty in recruiting to commercial roles which have direct comparators in other sectors and whose skill set is commercially valuable. We have however had significant success in developing our own talent with the recent appointment to permanent roles of two apprentices.

### The Strategy

8. The Strategy sets out the main blocks of the approach being adopted and below is a summary of progress made and outstanding actions.

### Commercialising our procurement activity



9. In order to proceduralise an organisation wide approach the Commercial Procurement Team is developing a series of Toolkits for the business to use which will be launched in the first quarter of 2014. Through a combined use of the above technical commercial procurement approaches we are improving the effectiveness of our procurement. This will enable better procurement across all spending areas.
10. We have introduced Category management – the Commercial Team are now structured to reflect the categories of goods and services we buy rather than the directorates who buy them. The categories are set out below

<ul style="list-style-type: none"> <li>•Road, footway &amp; hard surface construction &amp; maintenance</li> <li>•Open spaces/ Landscaping</li> <li>•Building &amp; Construction &amp; maintenance services works.</li> <li>•Mechanical &amp; Electrical</li> <li>•Plant</li> <li>•Materials</li> <li>•Vehicle Purchase</li> <li>•Vehicle Hire</li> <li>•Vehicle Maintenance</li> <li>•Workshop Consumables</li> <li>•Workshop Equipment</li> <li>•Fuel</li> </ul>	<ul style="list-style-type: none"> <li>•Utilities</li> <li>•Cleaning Services</li> <li>•Security</li> <li>•Planned &amp; Reactive Maintenance</li> <li>•Capital Works (minor works)</li> <li>•Disability Adaptations</li> <li>•Removal Services</li> <li>•Equipment Maintenance &amp; Disposal</li> <li>•Catering &amp; Hospitality</li> <li>•Environmental Services</li> <li>•Burial &amp; Cremations</li> <li>•Leisure Services</li> <li>•Grounds Maintenance</li> <li>•Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>•IT Hardware</li> <li>•IT Software</li> <li>•Bespoke Equipment</li> <li>•Stationery</li> <li>•Corporate travel &amp; accommodation</li> <li>•Office Equipment</li> <li>•Insurance</li> <li>•Postage &amp; Couriers</li> <li>•Travel &amp; Accommodation</li> <li>•Printing</li> <li>•Advertising &amp; Marketing</li> <li>•Consultants &amp; Interims</li> <li>•Legal Services</li> <li>•Training</li> <li>•Translation services</li> <li>•Professional Fees</li> <li>•HR Services</li> <li>•Consultants</li> <li>•Books</li> <li>•Operational Equipment</li> </ul>	<ul style="list-style-type: none"> <li>•Residential Care</li> <li>•Day Care</li> <li>•Domiciliary Care</li> <li>•Addiction Care</li> <li>•Supporting People</li> <li>•Respite Care</li> <li>•Home Support Service</li> <li>•Foster Care</li> <li>•Outreach Services</li> <li>•Parenting Services</li> <li>•Youth Offending Services</li> <li>•School Business Support</li> <li>•School Services</li> <li>•Prevention and Support Services</li> <li>•Public Health</li> <li>•Transport Services</li> <li>•Residential Care</li> <li>•Day Care</li> <li>•Domiciliary Care</li> <li>•Addiction Care</li> <li>•Supporting People</li> <li>•Respite Care</li> </ul>
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11. Each Category will have a contracts register and Category structure and a plan to manage the commissioning requirements for each of the Service Areas within each Category. This structure was put in place over the summer and Directorates have now been engaged with the principles.

12. Moving forward, Category Managers will work with relevant stakeholders for their area to develop a rolling plan of activity which will feed into category management plans which are to be maintained by each Category Manager. Delivery of activities will be tracked using the new work plan and benefits realisation will also be tracked in order to capture efficiencies delivered by the procurement team. Each savings target will have a supporting strategy that can be signed off by key stakeholders prior to any activity and Finance will be engaged early in the process to ensure that all benefits are tracked and realised.
13. We are developing Category Management training for differing audiences: high level strategic impact of Category Management for senior management, AD's; Operational impact for commissioners, purchasers within CYC
14. This will bring about greater aggregation of spend, reduce off contract spend and drive out greater efficiencies. It is a new and more challenging approach and it will take CYC time to develop the required skills and ensure that the Commercial team have earlier involvement of Procurement in the scoping phase of commissioning.
15. We are reviewing Contract Procedure Rules to incorporate Category Management Plan and Procurement Plans within the rules and requirements for each Service Area to understand and manage its commissioning requirements
16. Financial systems – The Commercial team are supporting the Procure to Pay (P2P) programme to improve processing efficiency and controls. We are mid implementation of a new Supplier and contract management system which will give greater internal and external transparency and control of existing contracts and forthcoming tenders.
17. Supplier Engagement is an essential part of an improved commercial function. 7 key areas have been identified for delivery
  - a. Developing the local supply chain through Bidders Days – outline the requirements of procurement exercise early, give bidders more clarity on what we are wanting to procure, gives them the opportunity to ask questions in an informal way
  - b. One to One – opportunity to talk through contracts/future works, two way conversation surrounding processes, discussion on potential savings
  - c. Performance Reviews – developed with suppliers as they felt that after contract award, no constructive engagement was being carried

- out.
- d. PQQ/ITT Workshops – talk through these processes, explain why we use them, guidance on how to submit etc.
  - e. Working for York – who we are, what we buy, why we buy it, how we buy it
  - f. Rotation System – we currently have 270+ suppliers registered under the works category, rotation policy needs to be developed, ensures completion and drives efficiencies.
  - g. Standard KPI's – in consultation with key contractors develop standard KPI/MI recording processes. Will feed in to rotation system.

### **Delivering Social Economic and Environmental benefit**

- 18. The Strategy commits us to a tailored approach so that we achieve the optimum mix of social economic and environmental benefits. There is a strong commitment to the use of our supply chain spend to bolster the local economy. This is being achieved through a range of engagement mechanisms with local companies as outlined earlier in the report but also through the tailoring of the approach used for each tender. If we believe that the tender could have strong and competitive local bidders then the assessment criteria will be shaped to give weighting to the use of local labour/creation of local jobs. Local SMEs will be targeted in invitations to tender (below EU limits) or made aware of the EU tender for larger pieces of work.
- 19. The council has also taken a strong stance in using procurement to support its policy agenda and to create a synergy between the principles it applies to the operation of internal services and the broader social outcomes arising from its supply chain spend (within the constraints of EU legislation)
- 20. This has been particularly evident through the adoption of the Living Wage and gaining accreditation from the Living Wage Foundation which has enshrined a commitment that any procurement of services for CYC will give priority to suppliers that pay the Living Wage to staff working wholly for CYC or on CYC property. This again has to be carefully handled as there are restrictions placed upon this by EU competition laws.
- 21. All contracts being let through the procurement team are now considered as to whether or not LW clauses should be applied. Generally, all services that are mainly people-based (such as cleaning, catering etc) rather than goods based (stationery purchases) will include contract mechanisms to improve pay to LW levels. This may be on a three-year

programme or through contract cost reviews.

22. One of the priority toolkits will be the ethical purchasing toolkit. This will cover issues such as:
  - Fairtrade
  - Equalities
  - Living Wage
  - SME's and Localism Agenda
  - Low, zero and negative carbon products and services
23. With regard to Equalities we have begun a programme of workshops to be held with suppliers and client teams focusing on "making equalities real". This will look at who we invite to tender and on-going ways we can improve equalities through our contracts. The emphasis will be on increasing opportunity and equality at all levels of an organisation by pooling resources from across the Supplier base. For instance, a large trans-national supplier may be able to offer placements to an under-represented group but may not have the expertise to do so, whereas one of our suppliers may have the expertise but not the opportunity. By linking these two together, progress can be made, ensuring CYC's spending power is being harnessed in the best possible way.
24. With regard to environmental considerations we are funnelling as much as possible through frameworks which insist on environmental credentials. We have also, wherever possible, implemented better working patterns for things like deliveries (i.e. minimum order values and fewer delivery days to save on carbon). We have also put clauses into contracts to mandate suppliers to further suggest improvements at regular contract reviews. On many of the goods-based contracts, saving carbon and saving money go hand-in-hand and there is plenty of industry best practice that we require and investigate when setting such contracts up.
25. A good example of the ethical approach is outlined in how we selected a contractor to take office waste during the West Offices moves. Amaryllis were selected because of their approach to recycling office furniture. Amaryllis reconditioned units using their prison work programme Reform, which gives skills and training to prisoners which ensuring minimum waste of items.

### **Integrating Commissioning and Procurement activity**

26. The new Transformation programme will be picking up the work done to date as part of the Business Support review regarding the future operating

model for procurement and commissioning activities. This work will commence in the New Year and will eventually feed into a refresh and development of the Council's Procurement & Commissioning Strategy for 2014 – 2018. This will also reflect progress made in delivering both the ethical and efficiency agenda.

## Council Plan

27. The Procurement and Commissioning Strategy sets out how procurement can be central to delivering the Council Plan through

- Focussing expenditure on our priorities and avoiding spend on things which are inessential or merely “nice to have”, whilst ensuring that all specifications are driven by customer requirements
- Protecting vulnerable people through sourcing appropriate levels of quality goods and services.
- Delivering excellent value for money
- Supporting the local economy
- Building strong communities by encouraging innovation, providing opportunities for local people to be engaged in designing and delivering services
- Collaborating with other public sector organisations to ensure maximum benefit for York
- Protecting our local environment by ensuring we source sustainable goods and services and build carbon reduction targets into our contracts.

28. Implications

**Financial** – Effective Procurement is a prerequisite to delivering the Council's Financial Strategy. There are no financial consequences arising from this overview report.

**Human Resources (HR)** - There are no HR implications arising from this report

**Equalities** - Covered within the body of the report

**Legal** - All legal implications from individual procurements are dealt with on a project by project basis and there is close working between the Commercial Legal team and the Commercial Procurement Hub. There are

particular legal implications regarding the implementation of ethical procurement - these are covered in the report.

**Information Technology (IT) – None**

**Property – None**

**Risk Management-** failure to manage procurement activity effectively could give rise to the risk of legal challenge from poor procurement practices under EU law. Poor procurement practices are also likely to be highly inefficient and could waste money.

**Recommendations**

29. Members are asked to consider the content of this report and identify any areas where a more detailed review might be desired.

Reason: To ensure that there is effective scrutiny of the development of the commercial procurement and commissioning activity within the Council.

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Report Approved  Date 2 January 2014

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Wards Affected: List wards or tick box to indicate all All

For further information please contact the author of the report

**Annexes**

Annex A - Procurement and Commissioning Strategy 2012-14



## Glossary of Abbreviations:

HRA – Housing Revenue Account

DSG – Dedicated Schools Grant

AD's – Assistant Directors

PQQ/ITT - Pre-qualification Questionnaire/ Invitations to Tender

KPI's – Key Performance Indicators

SME's - Small and Medium size Enterprises

EU – European Union

LW – Living Wage

PAP – Procurement Activity Planning

VCS - Voluntary and Community Sector Organisations