
NORTH AYRSHIRE COUNCIL

29th November 2022

Cabinet

Title: Procurement Annual Activity Report (21-22)

Purpose: To provide Cabinet with an update on Procurement activity for the period 21/22

Recommendation: Cabinet notes the report

1. Executive Summary

- 1.1 It was agreed by Council in September 2020 that an annual procurement report should be produced for Cabinet. This is the third report, and it covers the period 21-22.
- 1.2 During the year, 167 different procurement exercises were undertaken resulting in contracts being awarded to 320 suppliers with a total value of £107.3m. North Ayrshire Council (**NAC**) publishes a register of all live contracts and a 2-year plan of future tendering opportunities.
- 1.3 In terms of total procurement expenditure, NAC spent a total of £223.7m with 3564 suppliers and £51.2m (22.93%) was spent locally with 735 North Ayrshire suppliers. The top 11 local suppliers, by spend value (over £1m), receive over half of the £51.2m (£28.4m).
- 1.4 The report also contains information on what category of goods/services are purchased, the top 20 suppliers by value, the size and locality of suppliers, and community benefits delivered.
- 1.5 The combined spend for NAC, East Ayrshire Council, South Ayrshire Council, NHS Ayrshire & Arran and University of West of Scotland is over £683m with £61m (9%) spent with local North Ayrshire suppliers.
- 1.6 Included as a key performance measure within the Council Plan, NAC has set a target to increase spend with local suppliers to 26% by 2024. Significant effort to identify and work with local suppliers who are capable of supplying goods and services procured by NAC will be required to achieve this target. Progress continues to be made in this area through engagement with the local supplier base and providing visibility of upcoming procurement opportunities and access to training and support to maximise local supplier's success securing NAC contracts. This progress continues to be set within the context of the duty on NAC to secure Best Value through the procurement process.

- 1.7 The report also provides details of progress of the ongoing e-invoicing project which is aiming to increase the number of suppliers utilising the e-Invoicing facility.

2. Background

- 2.1 At the Council meeting in September 2020, it was agreed that Cabinet should receive a detailed annual report covering all procurement activity. The first report covering the period 19-20 went to Cabinet in May 21 and the second report detailing activity covering the period 20-21 went to Cabinet in November 2021. This report covers the 21-22 procurement activity.
- 2.2 During the 21-22 period, 167 different procurement exercises were undertaken by the Corporate Procurement unit (**CPU**), resulting in contracts being awarded to 320 suppliers with a total value of £107,257,525. The different procurement types undertaken are listed below:

Procurement Type	Number of Procurements Awarded	Total Value Awarded
Quick Quotes Awarded	54	£ 3,228,429.77
Quick Quotes Multi Supplier Awarded	1	£ 42,000.00
Single Tender Actions Awarded	45	£ 2,868,978.56
Direct Awards Awarded	15	£ 3,089,447.30
OJEU/GPA Tenders Awarded	9	£ 28,518,418.54
OJEU/GPA Multi Supplier Awarded	5	£ 38,851,186.99
Non-OJEU/GPA Tenders Awarded	8	£ 10,766,481.19
Mini Competitions Awarded	23	£ 18,602,848.62
Self-Directed Support Option 2 Awarded	7	£ 1,289,734.28
Total	167	£ 107,257,525.25

Public sector procurement legislation dictates the procurement type required based on the type of goods, services or works needed and the anticipated value for the life of a contract. There are 3 main regulations that NAC need to comply with

- Procurement Reform (Scotland) Act 2014
- Public Contracts (Scotland) Regulations 2015
- Procurement (Scotland) Regulations 2016

Each regulation has specific thresholds and requirements to be adhered to, and failure to adhere could lead to costly legal challenges. In addition to the external legislation the Council's Standing Orders Relating to Contracts also has requirements on how officers are permitted to procure. The diagram below shows the activity required at specific values.



Tenders are carried out above Quick Quote threshold and depending on the proposed contract values these fall into lower value Non-Government Procurement Agreement (GPA) or higher value GPA tenders. Following the UK's withdrawal from the EU, tenders are now required to comply with GPA rules. Tenders are open to any suppliers registered on Public Contract Scotland.

NAC has a legal obligation to maintain a register of all "live" contracts and for this to be openly published. NAC's corporate contract register is published through the open data portal and can be accessed from this link [Contract Register](#).

- 2.3 In addition to the above contracts completed during 2021-22, purchases were made utilising existing NAC contracts, as well as other collaborative contracts and frameworks. The collaborative contracts and frameworks most frequently used are typically those owned by Scotland Excel, Scottish Government, Crown Commercial Service and the 3 Ayrshire Councils.
- 2.4 The Procurement Reform (Scotland) Act 2014 requires NAC to publish an annual procurement report on its regulated procurements (£50K or over for supplies and services and £2M or over for works). To give potential suppliers visibility of future tendering opportunities, there is a requirement to provide as part of the report a list of all known tender opportunities for the following two years. This visibility is also very important within the context of the NAC's Community Wealth Building (CWB) aspirations. NAC's annual report is published on the NAC website and can be accessed from the link [Procurement Annual Report 21-22](#).

Analysis of total spend

- 2.5 On an annual basis, Scottish Government funding is available for public sector bodies (including NAC) to have their purchase ledger spend data analysed by the data analytic company Spikes Cavell. This data is made available on the Scottish Procurement Information Hub, and it allows public bodies to analyse how much they spend, on what category of goods/services, and the size and locality of the suppliers used. It also allows organisations to compare their data with other public bodies.
- 2.6 The Scottish Procurement Information Hub data shows that NAC spent a total of £223.7m with 3564 suppliers. Further analysis shows £51.2m (22.93%) was spent locally with 735 North Ayrshire suppliers, which is an increase of £6m from the previous year. This information is vital in supporting the procurement pillar of the CWB Strategy and the Council Plan performance indicator "percentage of procurement spent on local enterprises".

Supplier locality is based on the address from which the invoice is sent. Therefore, it is recognised that this can underrepresent the true economic impact of procurement spend in the local area. Further supporting analysis has been carried out to show more details of the local economic impact of the procurement spend and this is outlined in section 2.24. This is an area that will continue to be reviewed.

2.7 NAC buys a vast array of supplies, service and works and the table below details the top 20 categories by value, and the number of suppliers used within each category.

Vendor Category	Total Spend	Total Suppliers
Development Agencies	£ 27,837,879.07	2
Nursing Homes	£ 19,856,871.74	62
Building Management Service Providers	£ 12,419,378.14	1
House Builders	£ 11,511,005.30	2
General Builders	£ 10,610,520.93	11
Disability & Special Needs Services Providers	£ 7,672,760.48	22
Other Social Care & Social Service Providers	£ 6,883,904.18	11
Non-Residential Main Building Contractors	£ 5,407,262.99	7
Other Community Healthcare Service Providers	£ 4,727,160.52	6
Quarry & Aggregates Suppliers	£ 4,522,085.33	3
Other Child Care Services Providers	£ 4,516,205.02	30
Adult Residential Care Providers	£ 4,194,069.15	41
Sports & Leisure Centres	£ 4,185,335.66	5
Roofers	£ 4,012,562.78	7
Housing Associations	£ 3,613,609.85	7
Mains Electricity Suppliers	£ 3,584,863.00	8
Early Years' Service Providers	£ 3,461,539.84	19
Community-Based Adult Mental Health Service Providers	£ 3,128,305.75	6
Home Care Service Providers	£ 3,022,471.96	10
Plumbing, Heating & AC (HVAC) Contractors	£ 2,757,750.47	14
Total	£ 147,925,542.16	274

2.8 An analysis of the spend by suppliers shows that 41 of the 3564 suppliers used, received more than £1m of business in the last year, equating to 60% of the total annual spend and at the opposite end of the spend profile, 1696 suppliers received less than £1,000 spend.

2.9 The top 20 suppliers by spend account for £106.6m and 47.6% of the total expenditure.

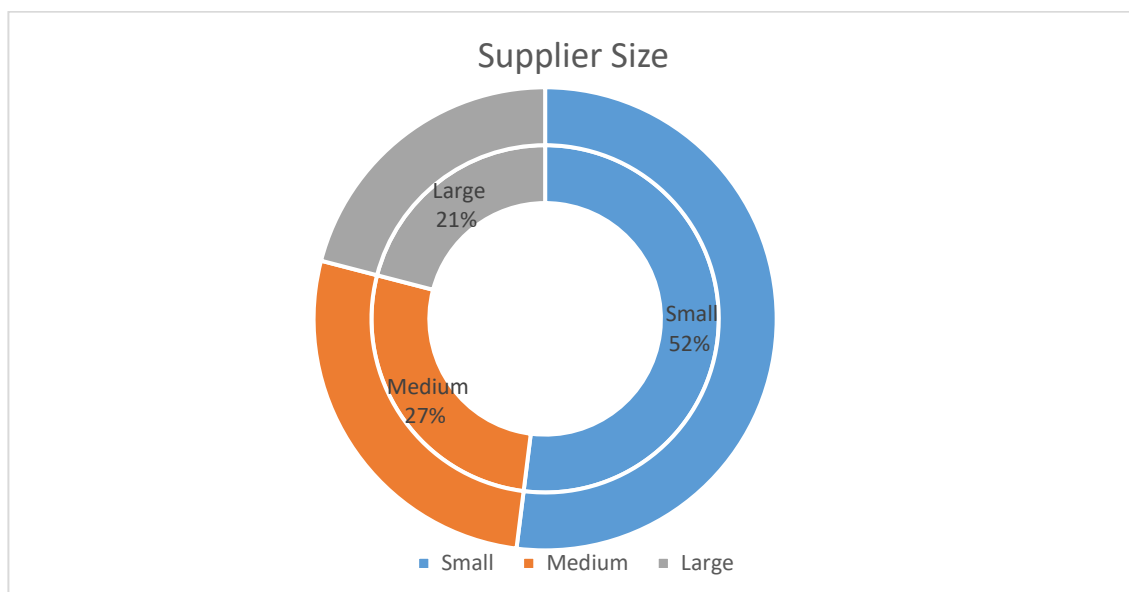
Supplier Name	Aggregate Spend
Hub South West Scotland Ltd	£ 27,814,879.07
PPP Services (North Ayrshire)	£ 12,419,378.14
McLaughlin & Harvey Ltd	£ 8,442,639.28
McTaggart Construction Ltd	£ 8,072,415.26
Clark Contracts Ltd	£ 5,273,840.90

Macspphalt	£ 4,420,523.18
North Ayrshire Leisure Limited	£ 4,176,794.06
Hansel Alliance	£ 3,788,507.07
Marley Contract Services	£ 3,463,730.02
McTear Contracts Limited	£ 3,438,590.04
EDF Energy Customers Plc	£ 3,387,049.58
Carewatch	£ 3,056,120.17
Richmond Fellowship Scotland	£ 2,940,651.28
Cornerstone	£ 2,878,857.66
Buckreddan Lodge Nursing Home	£ 2,708,624.19
James Frew Ltd	£ 2,644,125.02
Key Housing Association Ltd	£ 2,051,827.85
Enhance Healthcare Ltd	£ 1,862,331.07
Fullarton Care Home	£ 1,844,110.58
Caledonia Care Home	£ 1,828,530.11
	£ 106,513,524.53

2.10 The invoice address is used to determine the locality of suppliers. This dataset shows that most suppliers used are Scottish. The table below shows the amount spent in each of the 4 nations.

Supplier Location	Spend	% of Total Spend	No. of Suppliers
Scotland	£173,601,032.70	77.64%	1948
England	£ 40,352,806.80	18.05%	1458
Northern Ireland	£ 9,232,265.62	4.13%	22
Wales	£ 217,216.19	0.10%	36

2.11 The data also shows that where the size of the company is known, 79% are SME's. The chart below shows more detail and confirms most companies fall in the small company definition i.e., less than 50 employees.



- 2.12 It is also recognised that Third Sector Organisations (TSO) have a key role in delivering vital services for North Ayrshire citizens and strengthening community empowerment and during 2021-22 over £31m was spent with TSOs.

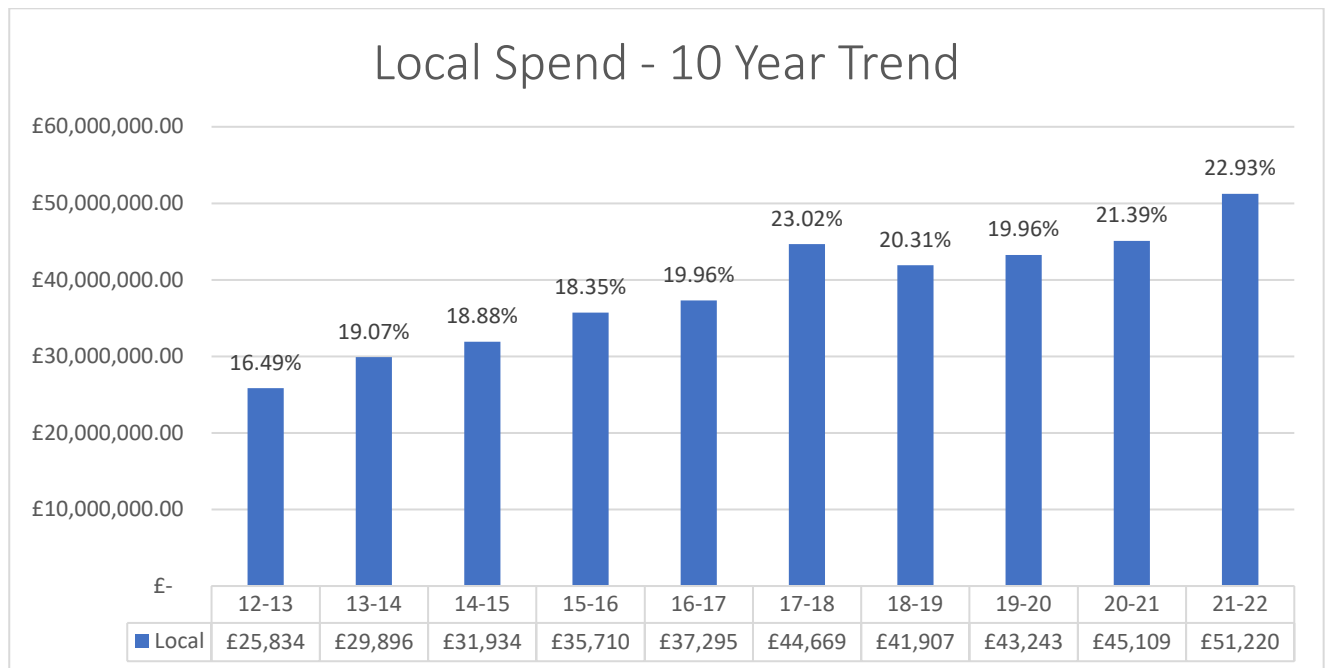
Community Wealth Building and Local Economic Impact

- 2.13 From a CWB perspective, buying from local companies is a strategic priority for NAC, however procurement legislation does not permit preferential treatment for companies based on location. In the year covered by the report 22.93% of the total spend was with local companies and this is a 1.54% increase on the previous year. In the Council Plan a target has been set to increase this to 26% by 2024. Achieving the new target, while remaining compliant with procurement legislation, will be challenging and will require a diverse local business base to build capability and capacity to enable them to bid and win public contracts.
- 2.14 NAC's CPU and service teams work together to maintain a tender wave- plan of all future tendering opportunities and participate in Meet the Buyer events to raise awareness of opportunities with local suppliers.
- 2.15 NAC's Economic Development and Regeneration Team continued to engage with local suppliers and by the end of March 2022 the Procurement Development Manger had met one to one with 25 local businesses, by running procurement support sessions in libraries in all localities throughout North Ayrshire. Procurement interventions reached a total of 256 to a cohort of 129 businesses ranging from capacity building, specialist support, consultancy and helping access procurement contracts within NAC. The team are working more closely than ever with the CPU and have streamlined processes that have been put in place to ensure local companies get the opportunity to bid on local contracts, and where possible Quick Quotes can be restricted to local only invitees. In 21/22 the business team were given notice of 68 Quick Quotes of which two thirds were suitable for local businesses who were at a bid ready stage to be suggested and invited. Work around having more local companies in a bid ready position continues to take place.

The Business Development team now have more direct influence on smaller value spend for goods, services and works the service teams are responsible for purchasing. Growing relationships and understanding from service teams has resulted in e.g., the PMI and HSCP teams seeking recommendations to gather quotes for jobs under £10k, resulting in successful local companies winning the work when they would otherwise have possibly remained unknown to the service.

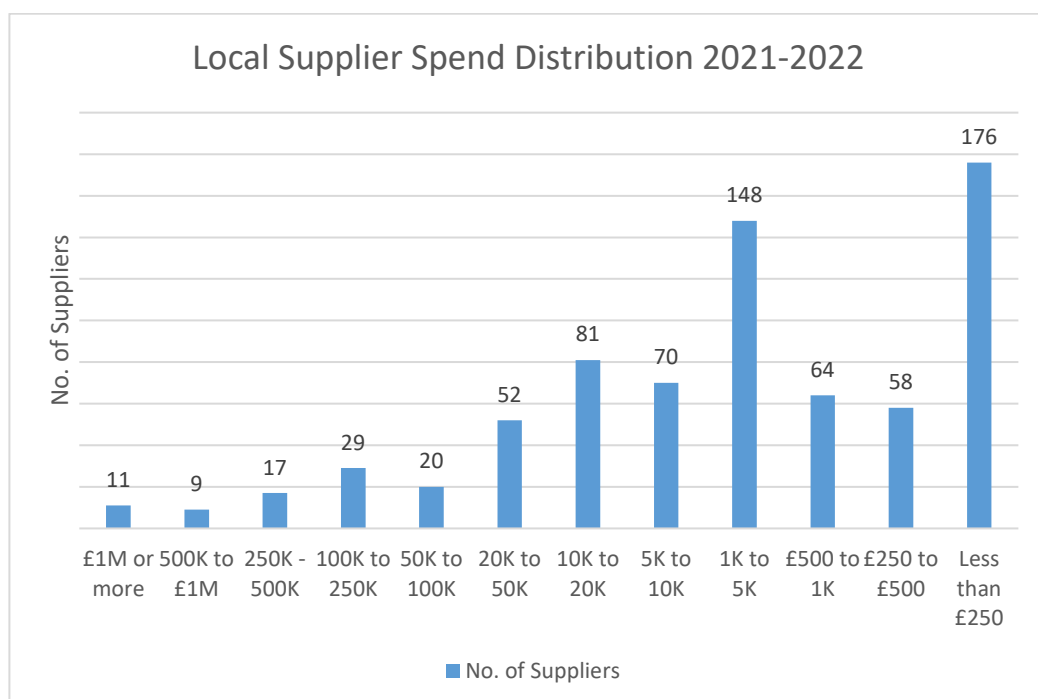
A focus remains on actively encouraging local suppliers to bid on national frameworks, and although this does not guarantee spend it creates a pathway to supplying a product/service to any Local Authority when there is a requirement.

2.16 As stated above, NAC spent £51.2m with 735 local suppliers during the year which was a £6M increase from the previous year. The graph below shows both the actual spend as well as the percentage of the total annual spend with local suppliers over the last 10 years.

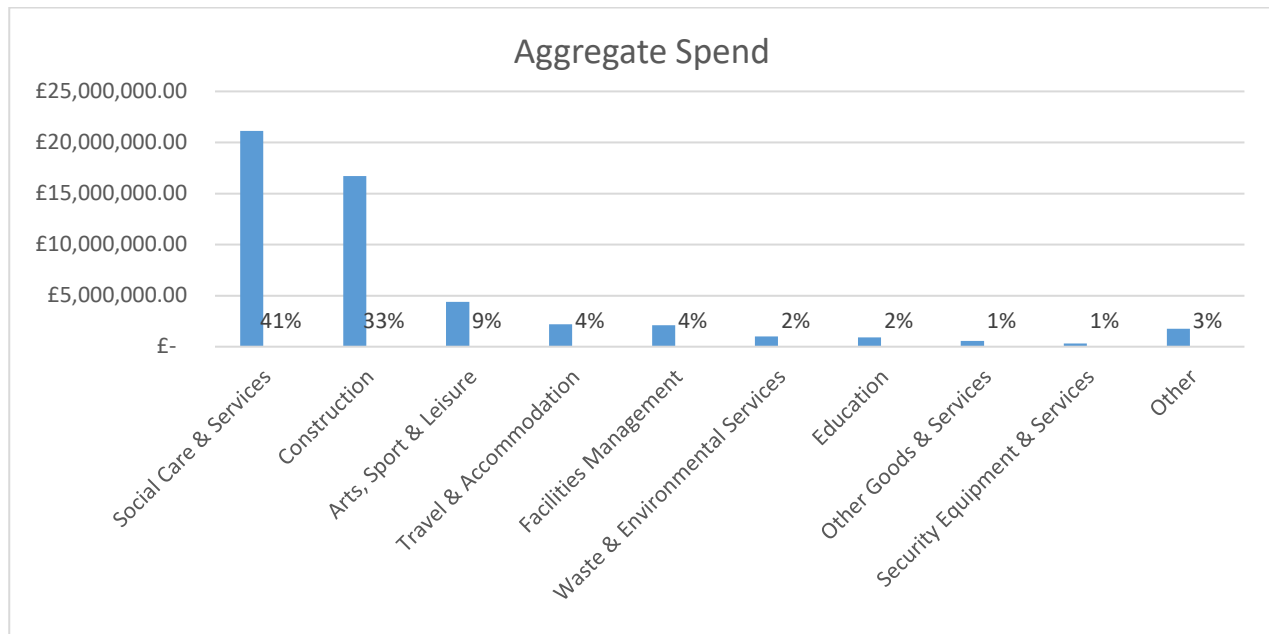


The actual spend data shows a steady increase throughout the 10-year period, almost doubling from £25.8m in 2012-13 to £51.2m in 2021-22.

2.17 The top 11 local suppliers by value all received more than £1m, with a total value of £28.4m (54% of total local spend). At the opposite end of the spend spectrum 298 local suppliers received less than £1,000, with a total value of £79k (0.15% of local spend). The graph below shows the spend distribution across local suppliers.



2.18 An analysis of the spend with local suppliers shows that over 74% was spent within the Social Care and Construction sectors.



2.19 For lower value procurements, between £10K and £50K for supplies and services and between £10K and £500K for works, NAC use the Quick Quote functionality. The process states that if 4 local suppliers have the capability and capacity to do the work and agree to bid then the procurement will be restricted to those local suppliers, therefore ensuring that a local company benefits from the contract. During 21-22, 55 Quick Quotes with a value of £3.2m were awarded of which 16 with a value of £0.66m were awarded to local suppliers. In the last 2 quarters of 21-22, 26 quick quotes were awarded, of which 17 included bids from local suppliers. 8 of these contracts were awarded to local suppliers and the average number of local bids for each contract was 3.

2.20 Developing the local supplier base is a key area of focus for the Business Development team, working with potential local suppliers to support business transition and preparedness requirements associated with public sector procurement. As part of our CWB Strategy additional staffing resources are now in place to support greater linkages with Procurement activity. In addition, regular communication and engagement with NAC officers involved in the procurement process continues to raise awareness of the local supplier base and their capability to supply NAC.

2.21 Through an analysis of other organisations spend data, a report on other CWB anchor institutions shows that councils have the highest annual spend and have spent the most within North Ayrshire. The combined spend for NAC, East Ayrshire Council, South Ayrshire Council, NHS Ayrshire & Arran, and the University of the West of Scotland was £683m with £61m (9%) spent with local North Ayrshire suppliers. Police Scotland and Scottish Fire and Rescue spend has not been included as the spend reported on the Scottish Procurement Information Hub is for the whole of Scotland and not just the North Ayrshire area.

- 2.22 Although procurement legislation does not permit preferential treatment for companies based on location, there is a strong desire within NAC to enable and support local suppliers to be more successful in winning NAC contracts. Further, through the CWB Commission and the participation of the other anchor institutions, there is both the scope and opportunity for further growth in local business opportunities. All Officers involved in procuring goods and services can help achieve this ambition. An Ayrshire CWB Procurement Lead Officer Working Group was reformed during the year and will carry out further work across the anchors institution to identify potential opportunities for more to be spent within Ayrshire.
- 2.23 As part of the procurement process, community benefits are requested either on a voluntary or mandatory basis, dependant on the value of the proposed contract. The community benefits requested during 21-22 focused on employment and training, with a focus on priority groups, supply chain support, education support and community support. The table below shows what was delivered during 21-22.

Benefit Type	Delivered Quantity
New Apprenticeships (Weeks)	533
New Jobs (Weeks)	2570
Work Placements	26
School Projects	8
SME/TSO Workshops	4
Community Projects	32

A new CWB approach to community benefits was implemented in December 2021 to maximise the benefits from contracts, and this included a points-based approach, where community benefits points are allocated based on the contract value and bidders choose community benefit options from a menu, with each option having points allocated proportionately. A community wish-list portal was also introduced, where suppliers can choose to carry out wishes created by community groups, to enhance their local communities.

Additional Local Economic Impact of Procurement expenditure

- 2.24 Analysis has been carried out on the 21-22 spend data to identify additional economic benefit from procurement spend in the following areas: Care Homes, Community Support for Adults, and construction sub-contracting opportunities. This information is important and based on the rationale outlined below suggests there is a strong argument that it more accurately reflects the local economic impact of the £223.7m spent by the Council.

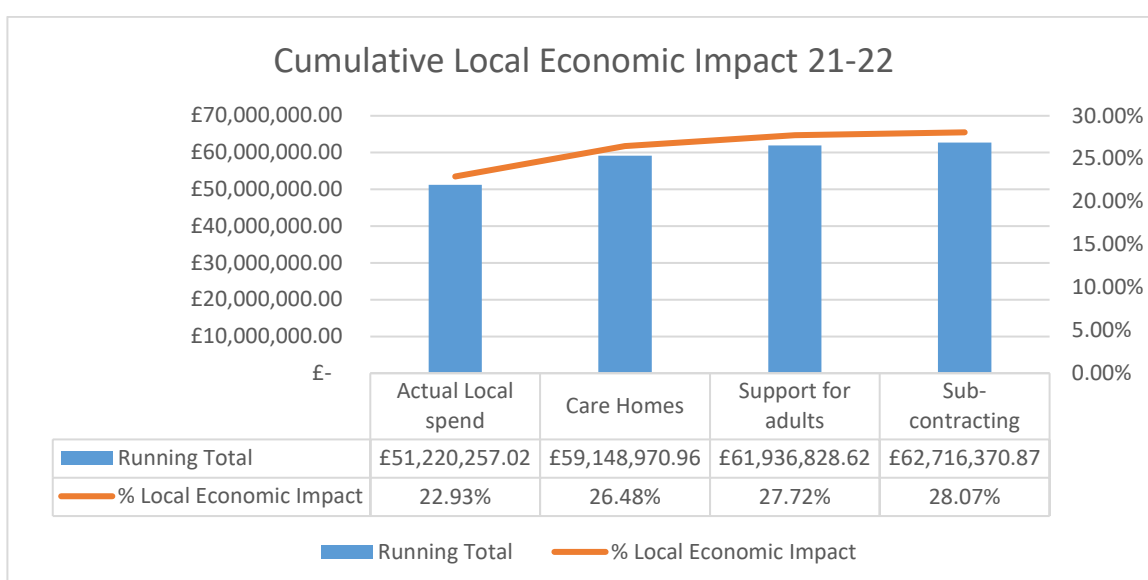
Care Homes – £7.9m was spent on care homes in 21/22, that are based in North Ayrshire, but do not have a North Ayrshire Invoice address, so they are not technically included as direct local spend. However, they clearly have a local presence and deliver a local care service and it is highly likely local people are employed within these care homes.

Community Support for Adults - like the above, there is a high likelihood of local employment opportunities to provide support for Adults within North Ayrshire. Initial spend analysis has indicated a total of £2.8m being spent on services delivered locally.

Sub- contracting opportunities – Contact was initiated with the 10 main construction contractors who were asked for details of sub-contracting to local North Ayrshire companies. Of the 4 suppliers who provided a response their total local sub-contracted spend was £779K.

- 2.25 Although the Scottish Procurement Information Hub data shows that £51.2m (22.93%) is NAC's local spend data, as detailed above the impact from the procurement expenditure has a much greater local economic impact when we consider employment opportunities from care at home and community support for adults as well as sub-contracting opportunities.

The graph below illustrates the cumulative impact of the additional areas of spend.



The analysis undertaken to date shows that in addition to the £51.2m direct local spend, a further £11.4m can be shown to have a local economic impact from businesses based in North Ayrshire or creating employment opportunities for North Ayrshire residents. This equates to a cumulative position of 28.07% of total spend in 21-22.

- 2.26 The e-invoicing project commenced in January 2021 and the project aims to increase the number of suppliers being paid via e-invoicing. The project continued to progress during 21-22 with an additional 4 suppliers being added, increasing the number of suppliers participating in this process from 1 to 5. The first supplier added in January 2021 was Lyreco and during 21-22 Arco, Findel, YPO and HP were added. Further rollout of the project is planned for 22-23.

3. Proposals

3.1 Cabinet notes the contents of the report.

4. Implications/Socio-economic Duty

Financial

4.1 No direct financial implications within this report, however, all progress in growing the level of local spend will continue to be set within the context of NAC's duty to secure Best Value.

Human Resources

4.2 None

Legal

4.3 NAC's procurement activities comply with all relevant procurement legislation and the Council's Standing Orders

Equality/Socio-economic

4.4 None

Environmental and Sustainability

4.5 None.

Key Priorities

4.6 None

Community Wealth Building

4.7 Procurement

- Community Benefits are requested as part of relevant procurement exercises
- Local suppliers will be identified and invited to quick quotes and supported through tendering and framework opportunities wherever possible.

Employment – As a Living Wage Accredited Employer, NAC strongly believes that all employees should be paid the living wage. NAC encourages all bidders to pay the living wage and as part of future procurement activities, bidders will need to provide more information on their payment of Living Wage practices. This will include the number of staff who are paid and those that are not paid the living wage, with reasons for non-payment also recorded. The CPU and Business Support will use this information to work with suppliers to help them achieve payment of the living wage to all employees on future contracts.

Land and Assets – Not applicable

Financial Power – Not applicable

Democratic Ownership – Not applicable

5. Consultation

- 5.1 Throughout all procurement exercises there is direct involvement with all relevant Directorate teams and engagement with other anchor institutions through the Community Wealth Building Commission.

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For further information please contact Suzanne Quinn , **Senior Manager – Corporate Procurement** , on 01294 324039.

Background Papers

None.