
NORTH AYRSHIRE COUNCIL

5 December 2023

Cabinet

Title: Procurement Annual Activity Report (22-23)

Purpose: To provide Cabinet with an update on Procurement activity for the period 22/23

Recommendation: Cabinet notes the report

1. Executive Summary

- 1.1 It was agreed by Council in September 2020 that an annual procurement activity report should be produced for Cabinet. This is the fourth report, for the period 22-23.
- 1.2 **Award Activity** - During the year, 182 different procurement exercises were undertaken resulting in contracts being awarded to 218 suppliers with a total value of £117.9m.
- 1.3 **Governance** – Procurement is governed by legislation and the Council’s Standing Orders Relating to Contract and North Ayrshire Council (NAC) have a legal obligation to publish a Contract Register, Procurement Strategy, and Procurement Annual Report detailing a 2-year plan of future tendering opportunities.
- 1.4 **Spend Analysis** - NAC spent a total of £221.5m with 3829 suppliers. The report contains information on what category of goods/services are purchased, the top 20 suppliers by spend, the size, type, and locality of suppliers.
- 1.5 **Community Wealth Building** - £57.7m (26.04%) was spent locally with 926 suppliers. This was an increase of £6.5m from the previous year, meaning the target set in the Council Plan of 26% has been reached. The top 16 local suppliers, with spend over £1m, received 60% of the £57.7m (£34.7m) and the report details the amount spent on each category locally and what categories the spend increase relates to.

NAC’s Business Support Team continue to work closely with suppliers and the Corporate Procurement Unit (CPU) to identify capable local suppliers and provide them with visibility of upcoming procurement opportunities and access to support and training to maximise their success winning contracts within legislative limitations. The ongoing Community Wealth Building (CWB) Quick Quote (QQ) process shows £2.7m of local QQs have been awarded (54% of total QQ awards).

The combined spend for NAC, East Ayrshire Council, South Ayrshire Council, NHS Ayrshire & Arran and University of West of Scotland is over £834m with £71m (8.5%) being spent with local North Ayrshire suppliers.

- 1.6 **Community Benefits** – Community benefits delivered are detailed including 3514 employment weeks, equating to 67 jobs and 32 wish list projects.
- 1.7 **Other Projects** - The report also provides details of progress of the ongoing improvement projects including the e-invoicing project, net-zero project, and procurement improvement project.

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. This report covers the 22-23 procurement activity.

Award Activity

- 2.2 During the 22-23 period, 182 different procurement exercises were undertaken by the CPU, resulting in contracts being awarded to 218 suppliers with a total value of £117,924,220.61. The different procurement types undertaken are listed below:

Procurement Type	Number of Procurements Awarded	Total Value Awarded
Quick Quotes Awarded	59	£ 5,007,009.51
Single Tender Actions Awarded	53	£ 5,782,577.95
Direct Awards Awarded	14	£ 1,975,507.45
GPA Tenders Awarded	8	£ 56,953,976.50
GPA Multi Supplier Awarded	4	£ 20,986,039.00
Non-GPA Tenders Awarded	10	£ 4,631,870.65
Non-GPA Multi Supplier Awarded	4	£ 7,966,490.00
Mini Competitions Awarded	20	£ 9,272,551.37
Mini Competitions Multi Supplier Awarded	2	£ 3,600,000.00
Self-Directed Support Option 2 Awarded	8	£ 1,748,198.18
Total	182	£ 117,924,220.61

Governance

- 2.3 Public sector procurement legislation regulates procurement activity for goods, services or works and 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 may be carried out above Quick Quote threshold and are open to any suppliers registered on Public Contract Scotland. Call-offs from established frameworks can also be carried out in the form of Directs Awards (to a sole framework supplier) or Mini-Competitions, where all relevant framework suppliers are invited, typically these frameworks are owned by Scotland Excel, Scottish Government, Crown Commercial Service and the 3 Ayrshire Councils.

- 2.4 NAC has a legal obligation to publish a [Procurement Strategy](#), and an [Annual Procurement Report](#) on its regulated procurements (over £50K for supplies and services and over £2M for works), to give potential suppliers visibility of future tendering opportunities. This report provides a list of all known tender opportunities for the following two years. NAC also has a legal obligation to maintain and publish a [Contract Register](#) of all “live” contracts.

Spend Analysis

- 2.5 During the report period NAC spent a total of £221.6m with 3829 suppliers.
- 2.6 NAC buys a vast array of supplies, services and works and the table below details the top 10 categories by value, and the number of suppliers used within each category.

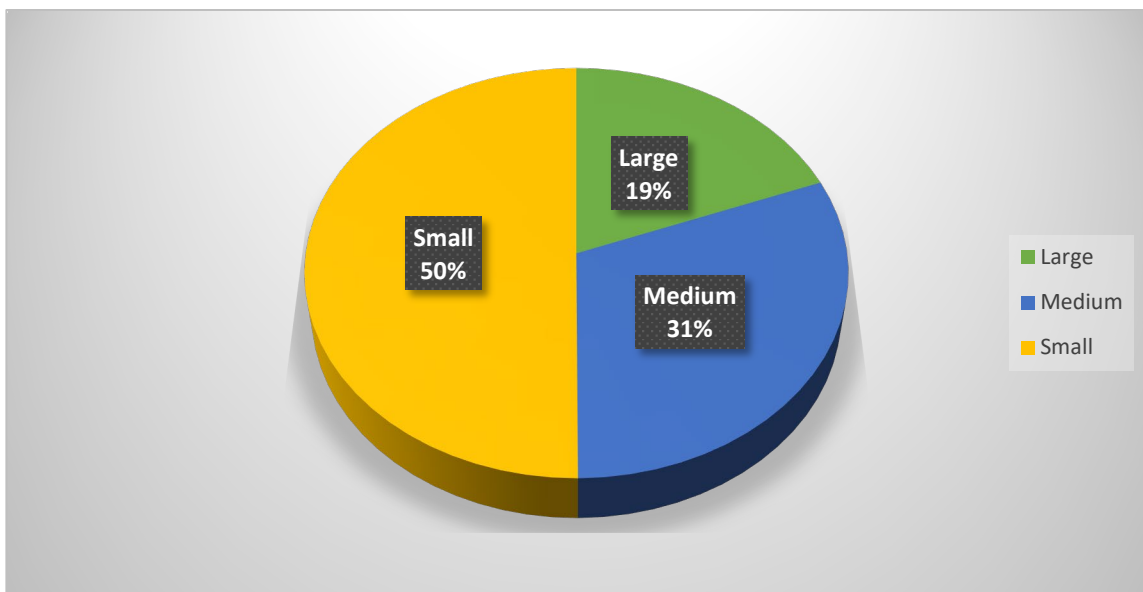
vCode Business Sector	Total Spend	Total Suppliers
Construction	£ 74,615,686.33	279
Social Care and Services	£ 61,021,125.04	267
Facilities Management	£ 22,955,038.72	130
Utilities & Energy	£ 10,138,094.60	31
ICT	£ 7,973,382.97	131
Healthcare	£ 6,540,205.57	67
Arts, Sports & Leisure	£ 6,047,205.57	74
Vehicles	£ 3,838,384.00	59
Travel & Accommodation	£ 3,371,394.62	83
Food Beverage & Catering	£ 3,171,021.88	51
Total	£ 199,671,539.30	1172

2.7 An analysis of the spend by suppliers shows that 43 of the 3829 suppliers, received more than £1m of business in the last year, equating to 56% of the total annual spend and at the opposite end of the spend profile, 2226 suppliers received less than £2,000 spend equating to less than 1% of total spend. The top 20 suppliers by spend account for £94m and 42% of the total expenditure. Details of suppliers is included in appendix 1 of the report.

2.8 This dataset shows that most suppliers are Scottish, and the table below shows the amount spent in each of the 4 nations.

Supplier Location	Spend	% of Total Spend	No. of Suppliers
Scotland	£172,530,210.39	80.33%	1065
England	£ 39,481,322.20	18.38%	635
Northern Ireland	£ 2,498,206.62	1.16%	22
Wales	£ 257,027.90	0.12%	15

2.9 The data also shows that where the size of the company is known, 81% 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.



2.10 It is also recognised that Third Sector Organisation (TSOs) have a key role in delivering vital services for North Ayrshire citizens and strengthening community empowerment and during 2022-23 almost £36m was spent with 120 TSOs.

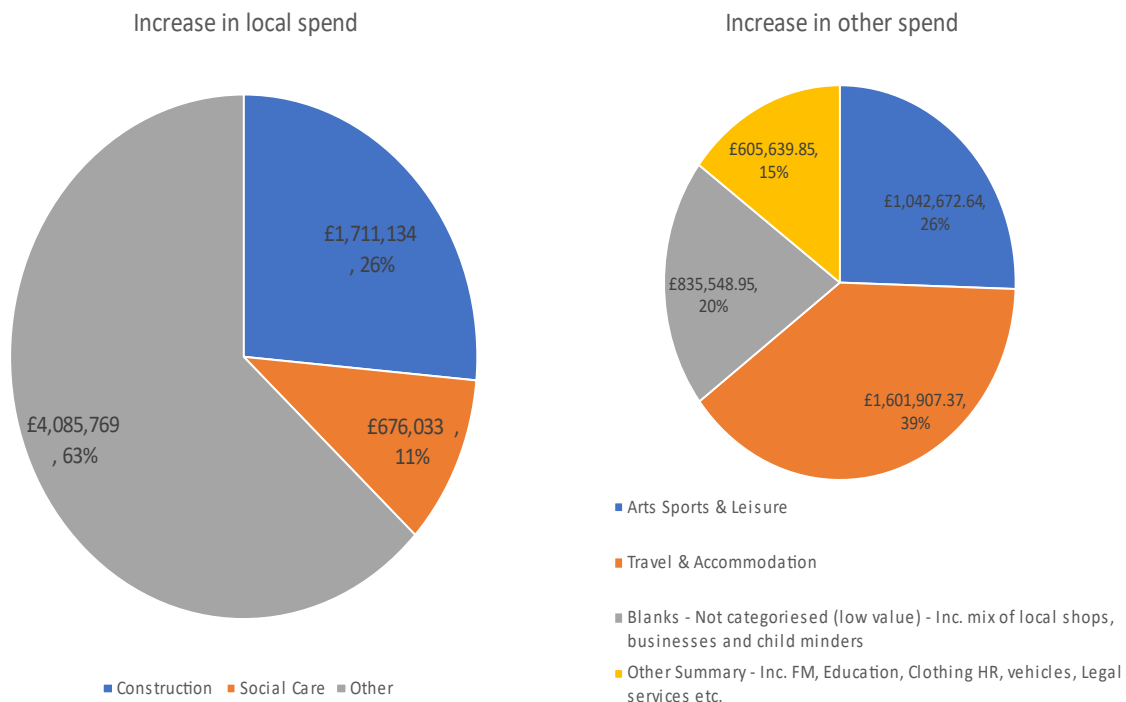
Community Wealth Building

2.11 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 £57.7m was spent with 926 local suppliers which was an increase of £6.5m. This equated to 26.04% local spend and is a 3.11% increase on the previous year. The Council Plan included a target of 26% by

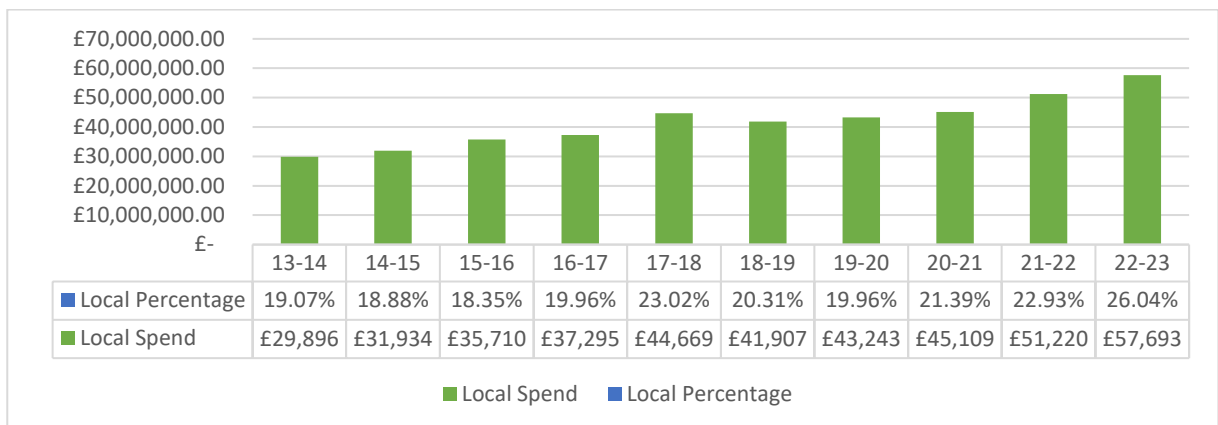
2024, and this target was reached during this reporting period, however there are many variables that can cause future fluctuation including:

- The existence, capacity, and competitiveness of the local supply base
- Fluctuation in NAC's requirements/budgets
- Providing services in-house rather than outsourcing
- The number of local suppliers awarded a place on National Frameworks
- An increase in total spend without a corresponding increase in local spend. i.e., a one-off large construction contract awarded to a non-local supplier.

2.12 The graphs below show the spend areas that account for the increase, with a further breakdown for suppliers out with social care and construction.

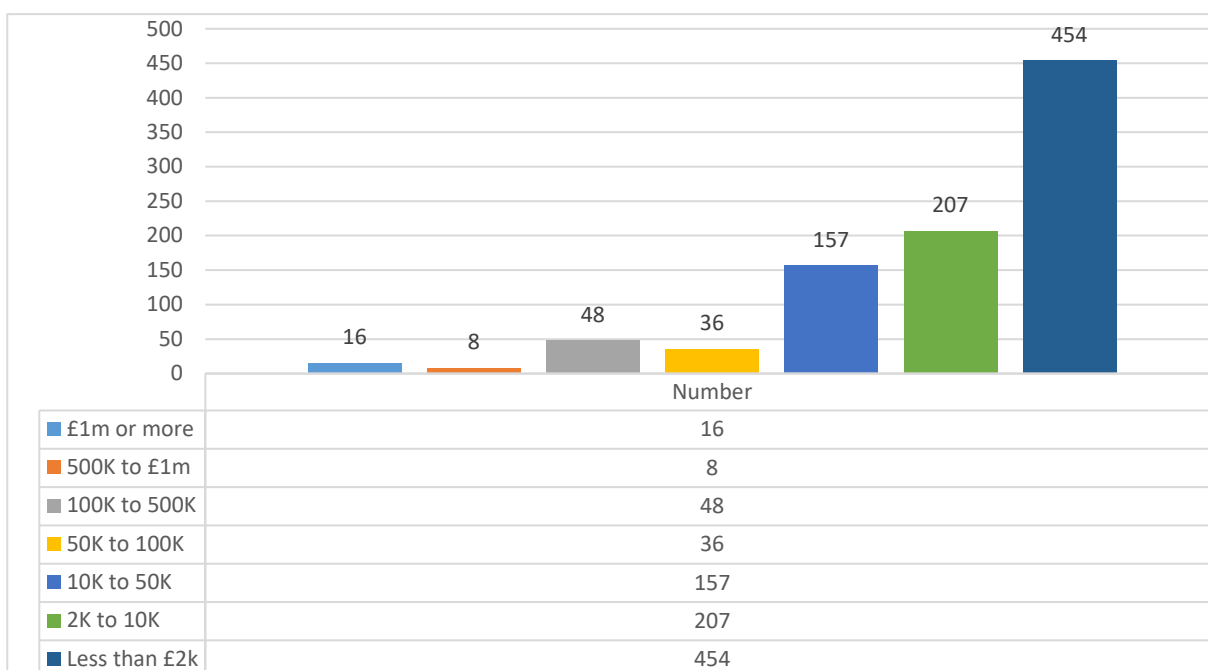


The graph below shows both the actual spend as well as the percentage of the total annual spend with local suppliers over the last 10 years.



The actual spend data shows a steady increase throughout the 10-year period, almost doubling from £29.9m in 2013-14 to £57.7m in 2022-23.

2.13 The top 16 local suppliers by value all received more than £1m, with a total value of £34.7m (60% of total local spend). At the opposite end of the spend spectrum 454 local suppliers received less than £2,000, with a total value of £181k (0.3% of local spend). The graph below shows the spend distribution across local suppliers.



2.14 An analysis of the spend with local suppliers shows that over 73% was spent within the Social Care and Construction sectors.

Category	Value	Percentage
Social Care & Services	£23,418,714.69	41%
Construction	£18,288,653.62	32%
Arts, Sport & Leisure	£5,334,551.93	9%
Travel & Accommodation	£2,987,951.96	5%
Facilities Management	£1,459,285.26	3%
Education	£917,401.13	2%
Waste & Environmental Services	£902,499.94	2%
Business Support Services	£597,701.32	1%
Security Equipment & Services	£403,759.18	1%
Other	£2,319,885.20	4%

2.15 NAC's CPU and service teams work together to maintain a tender waveplan of all future tendering opportunities and participate in bidder's days and meet the buyer events to raise awareness of opportunities with local suppliers.

2.16 NAC's Business Support Team continued to engage and support local suppliers across North Ayrshire and during 2022/23 and there was 394 procurement related interventions, supporting 179 unique businesses and the support and interventions have focused on capacity building, putting suppliers forward for NAC QQs and Tenders, utilising specialist consultancy support, advising suppliers how to register and use PCS

and PCS-T and sign-posting to other procurement related resources such as the Supplier Development Programme.

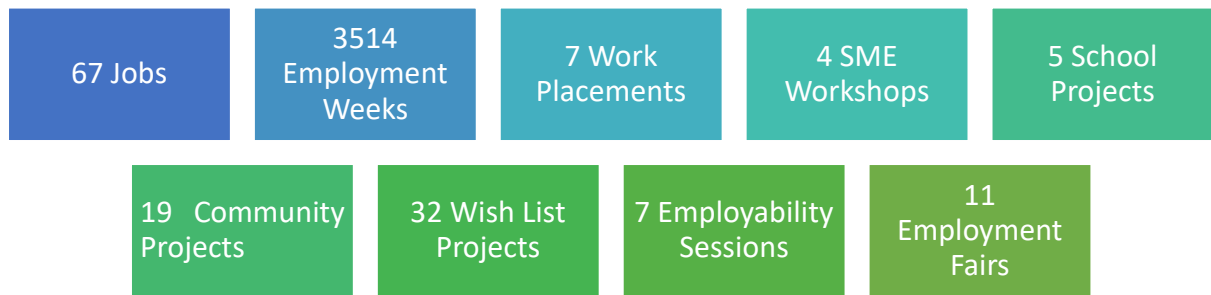
The Business Support team continue to work closely with the CPU to streamline QQ and Tender processes and identify suitable local businesses as early in the procurement process as possible. This work means the team have further influence on smaller value spend for goods, services and works and this has led to individual service teams reaching out. For example, PMI, Streetscene and HSCP teams have sought recommendations to gather quotes for jobs under £10k, resulting in local companies successfully winning work when they would otherwise have remained unknown to the service.

A focus also 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.

- 2.17 For lower value procurements, between £10K and £50K for supplies and services and between £10K and £500K for works, NAC use Quick Quotes. Cabinet previously approved our response to the Scottish Government consultation on Building Community Wealth in Scotland on 2 May 2023. The response included potential amendments to the Procurement Reform (Scotland) Act 2014 to better support local suppliers where the supply base exists and reviewing the regulated threshold for supplies. The current NAC 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 22-23, 59 Quick Quotes with a value of £5m were awarded of which 22 with a value of £2.7m were awarded to local suppliers. This equated to 54%.
- 2.18 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 £834m with £71m (8.5%) spent with local North Ayrshire suppliers.
- 2.19 The CWB Commission promotes a collaborative approach to CWB and encourages participation of the Anchor Institutions in CWB initiatives. NAC and the other Anchor institutions have an ambition to use procurement to actively encourage and support a growing diverse and resilient local business base. All Officers involved in procuring goods and services can help achieve this ambition. The Ayrshire CWB Procurement Lead Officer Working Group has met twice during the reporting year and will carry out further work across the anchors institution to identify potential opportunities for more to be spent within Ayrshire.

Community Benefits

- 2.20 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 22-23 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 22-23.



Other Projects

2.21 Additional projects were implemented throughout the year to improve procurement service.

The e-invoicing project continued to progress during 22-23 with an additional 2 suppliers being added, increasing the number of suppliers participating in this process to 7. Further rollout of the project is planned for 23-24.

To support NAC's net-zero journey, The CPU procure all goods, services and works that support reduction of climate change.

In addition to this the CPU have also created a Climate & Circular Economy Case Study for the Solar PV Farms and are in the process of creating more case studies for modular construction, flood protection, sustainable business travel and electric vehicle charging points. The CPU are currently working with Scottish Government to publish all case studies which can be found [here](#) when published.

The CPU have also created a net-zero roadmap in collaboration with the Energy and Sustainability Team that aligns with the Environmental Sustainability & Climate Change Strategy net-zero road map, which demonstrates how the CPU supports NAC to achieve its net-zero ambitions.

The CPU have also completed our first FNT2030 template in collaboration with the Transport Team for fleet that demonstrates and monitors how this category of spend will achieve its net-zero ambitions by 2030. Further templates for additional categories of spend including waste services, ICT and construction will be completed in future years.

A Procurement Improvement Action Plan has been created that outlines improvement activities ongoing during the report period. Improvement projects implemented in the report period included:

- Implementation of a Contract & Supplier Management (CSM) Policy to enable a standard approach to CSM throughout the Council, to make efficiencies and savings, take advantage of innovation, and ensure relevant information is captured to reflect performance against the National Performance Framework.
- Introduction of customer and supplier survey to collate feedback to capture essential feedback from internal customers and suppliers to record lessons learned and implement actions for continuous improvement.

- Implementation of a No PO No Pay Policy to encourage good Purchase to Pay (P2P) practice, ensuring all orders are processed via the relevant P2P system and approved prior to placing the order.
- Creation of a Strategic Training Plan to clearly document all training needs, linked to the relevant procurement strategic aims and identifying relevant training supports to ensure all needs are fulfilled.

The CPU are also currently preparing for the Procurement and Commercial Improvement Programme (PCIP), to be carried out in November 2023.

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

Climate Change and Carbon

4.5 NAC's procurement activities comply with the sustainable procurement duty.

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 ask for 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 The Fair Work Ayrshire Team 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

Appendix 1 – Top 20 Suppliers by Spend

Supplier Name	Aggregate Spend
PPP SERVICES (NORTH AYRSHIRE)	£ 13,927,010.29
HUB SOUTH WEST SCOTLAND LTD	£ 12,313,686.33
CLARK CONTRACTS LTD	£ 8,422,399.02
MARLEY CONTRACT SERVICES	£ 7,287,480.86
MCTAGGART CONSTRUCTION LTD	£ 5,500,427.28
NORTH AYRSHIRE LEISURE LIMITED	£ 5,086,615.54
MCTEAR CONTRACTS LIMITED	£ 4,309,468.91
EDF ENERGY CUSTOMERS PLC	£ 4,178,837.75
HANSEL ALLIANCE	£ 3,837,955.38
CORNERSTONE	£ 3,582,187.00
JAMES FREW LTD	£ 3,448,637.70
RICHMOND FELLOWSHIP SCOTLAND	£ 2,965,098.21
BUCKREDDAN LODGE NURSING HOME	£ 2,912,365.42
HILLHOUSE QUARRY GROUP T/A MACASPHALT	£ 2,718,389.45
TOTALENERGIES GAS & POWER LIMITED	£ 2,654,525.02
KEY HOUSING ASSOCIATION LTD	£ 2,308,658.33
CALEDONIA CARE HOME	£ 2,283,704.15
THE FURNISHING SERVICE LTD	£ 2,122,492.38
W I & A GILBERT	£ 2,118,463.06
HAMILTON TARMAAC	£ 2,069,491.46
Total	£ 94,047,893.54