
NORTH AYRSHIRE COUNCIL

30th November 2021

Cabinet

Title:	Procurement Annual Activity Report (20-21)
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Purpose:	To provide Cabinet with an update on Procurement activity for the period 20/21
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Recommendation:	Cabinet notes the report
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1. Executive Summary

- 1.1 It was agreed by Council in September 2020 that an annual procurement report should be produced for Cabinet. The first report covering the period 19-20 went to Cabinet in May 2021, this second report covers the procurement activity during the year 20-21.
- 1.2 During the year, 188 different procurement exercises were undertaken resulting in contracts being awarded to 353 suppliers with a total value of £94.8m. The Council publishes a register of all live contracts and a 2-year plan of future tendering opportunities.
- 1.3 In terms of total procurement expenditure, the Council spent a total of £211.3m with 3406 suppliers, £45.1m (21.39%) was spent locally with 650 North Ayrshire suppliers. The top 10 local suppliers, by spend value, receive over half of the £45.1m.
- 1.4 The report also contains information on what category of goods/services are purchased, the top 20 suppliers by value, size and locality of the suppliers used and community benefits delivered.
- 1.5 The combined spend for North Ayrshire Council (NAC), East Ayrshire Council, South Ayrshire Council, NHS Ayrshire & Arran, Scottish Fire and Rescue Service is over £744m with £56m (7.5%) spent with local North Ayrshire suppliers.
- 1.6 Included as a key performance measure within the Council Plan, the Council has set a target to increase spend with local suppliers to 26% by 2024. To achieve this will require a significant effort to identify and work with local suppliers who are capable of supplying goods and services procured by the Council. Progress continues to be made in this area through engagement with the local supplier base helping provide visibility of upcoming procurement opportunities and access to training and support to maximise their chances of success in securing Council contracts. This progress continues to be set within the context of the duty on the Council to secure Best Value through the procurement process.

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. This report covers the 20-21 procurement activity.
- 2.2 During the 20-21 period, 188 different procurement exercises were undertaken NAC, resulting in contracts being awarded to 353 suppliers with a total value of £94,859,352. The different procurement types undertaken are listed in below.

Procurement Type - Awarded	No. Procurements	
	Awarded	Total Value Awarded
Quick Quotes	39	£ 1,569,347
Single Tender Actions	43	£ 3,882,566
Direct Awards	32	£ 2,588,180
OJEU Tenders	8	£ 15,739,822
OJEU Multi Supplier Frameworks	6	£ 38,626,535
Non-OJEU Tenders	9	£ 4,632,364
Non- OJEU Multi Supplier Frameworks	1	£ 1,337,316
Mini Competitions	22	£ 25,970,485
Self Directed Support	28	£ 512,737
Total	188	£ 94,859,352

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 the Council 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, failure to do so 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 for above Quick Quote threshold procurements and depending on the proposed contract values these fall into lower value Non-OJEU or higher value

OJEU tenders (Official Journal of European Union). Following the UK's withdrawal from the EU, tenders started in 2021 now require to comply with GPA (Government Procurement Agreement) rules. Tenders cannot be restricted and are open to any suppliers registered on Public Contract Scotland to submit a bid.

The Council has a legal obligation to maintain a register of all "live" contracts and for this to be openly published. The Council'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 2020-21, 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 those of the other Ayrshire Councils.
- 2.4 The Procurement Reform (Scotland) Act 2014 requires that the Council publishes an annual procurement report on its regulated procurements. 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 Council's Community Wealth Building aspirations. The Council's annual report is published on the NAC website and can be accessed from the link [Procurement annual report 20-21](#).

Analysis of total spend

- 2.5 On an annual basis, Scottish Government funding is available for public sector bodies (incl NAC) to have their purchase ledger spend data analysed by the data analytic company Spikes Cavell. This data then 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 that of other public bodies.
- 2.6 The Spikes Cavell data shows that the Council spent a total of £211.3m with 3406 suppliers. Further analysis shows that of the total spent, £45.1m (21.39%) was spent locally with 650 North Ayrshire suppliers, this is an increase of £1.9m local spend from the previous year. This information is vital in supporting the procurement pillar of the Community Wealth Building strategy and the Council Plan performance indicator "percentage of procurement spent on local enterprises".

Spikes Cavell determine supplier locality 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.

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

Vcode Vendor Category	Spend	Count of Suppliers
Development Agencies	£ 45,572,422.26	2
Nursing Homes	£ 14,435,420.41	56
Outsourced Building Management Service Providers	£ 13,179,261.86	1
Disability & Special Needs Services Providers	£ 7,105,075.18	19
House Builders	£ 6,393,343.70	2
Adult Residential Care Providers	£ 5,949,670.31	42
General Builders	£ 5,756,052.27	7
Other Social Care & Social Service Providers	£ 5,506,473.97	9
Sports & Leisure Centres	£ 5,080,570.00	5
Other Community Healthcare Service Providers	£ 4,499,191.78	4
Other Child Care Services Providers	£ 4,459,779.62	27
Roofers	£ 4,270,602.90	4
Home Care Service Providers	£ 3,791,818.44	10
Housing Associations	£ 3,311,698.85	6
Early Years Service Providers	£ 3,101,351.18	18
Community-Based Adult Mental Health Service Providers	£ 3,089,877.64	3
Mechanical Engineers	£ 2,871,121.68	4
Non-Residential Main Building Contractors	£ 2,562,811.72	9
Plumbing, Heating & AC (HVAC) Contractors	£ 2,491,739.96	8
Bitumen & Surface Dressing Suppliers	£ 2,313,071.04	2
Total	£ 145,741,354.77	238

- 2.8 An analysis of the spend by suppliers shows that 39 of the 3406 suppliers used, received more than £1m of business in the last year, equating to 63% of the total annual spend. At the opposite end of the spend profile 1570 suppliers had less than £1,000 spend.
- 2.9 The top 20 suppliers by spend is shown in appendix 1. These suppliers account for £108.4m or 51% of the total expenditure. The suppliers shown in red are local suppliers i.e. 7 of the 20 suppliers are local and account for £20.3m of spend.
- 2.10 Spikes Cavell uses the invoice address to determine the locality of suppliers. Using this dataset, it 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	£ 171,680,110.80	81.3%	1684
England	£ 35,899,640.10	17.0%	1661
Northern Ireland	£ 3,486,554.87	1.7%	19
Wales	£ 206,057.93	0.1%	42
	£ 211,272,363.70	100.0%	3406

- 2.11 The data also shows that where the size of the company is known, 78.5% are SME's. The chart below shows more detail and confirms most companies used fall in the small company definition i.e., less than 50 employees.



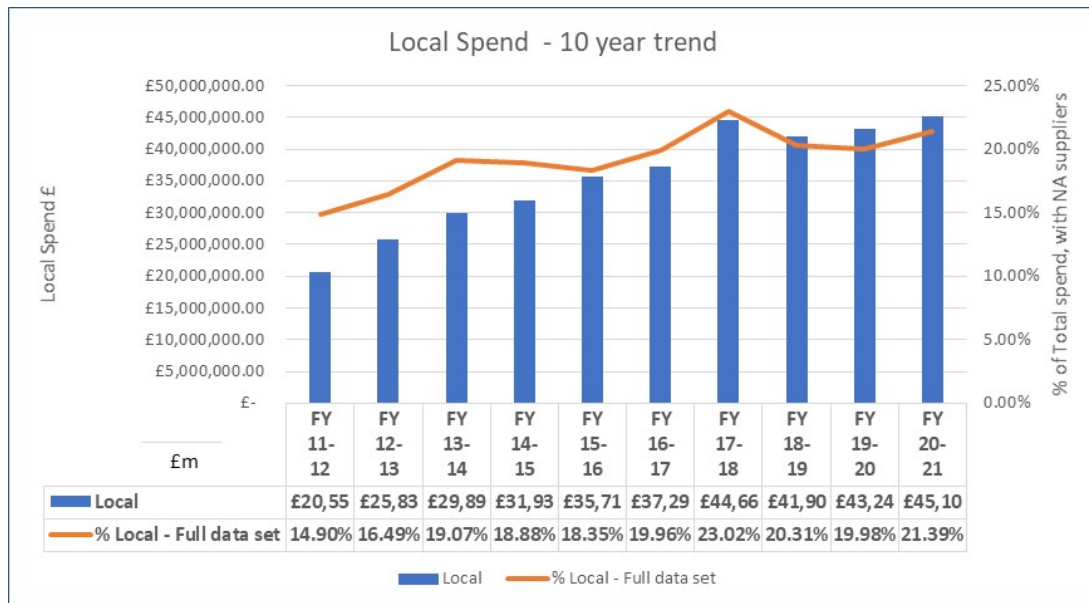
- 2.12 It is also recognised that Third Sector Organisations (TSO) have a key role in delivering vital services for North Ayrshire citizens and strengthening community empowerment and during 2020-21 over £29m was spent with TSOs.

Community Wealth Building and Local Economic Impact

- 2.13 From a Community Wealth Building (CWB) perspective, buying from local companies is a strategic priority for the Council, however procurement legislation does not permit preferential treatment for companies based on location. In the year covered by the report 21.39% of the total spend was with local companies, this is a 1.41% 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 capacity and upskill in bidding for and winning public contracts.
- 2.14 The Council's Procurement 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 The Council's Business Development Team undertake a vital role and continue to engage with local suppliers to ensure they have visibility of upcoming quick quote and tendering opportunities, assess sector capacity and willingness to bid and provide access to specific training to maximise the success of local companies in winning Council contracts. To outline recent activity, support for businesses in the first half of 21-22 has seen 127 interventions with a cohort of 78 businesses ranging from capacity building, specialist support, consultancy, helping access procurement contract within NAC. This increased support is starting to pay dividends with a number of local suppliers winning quick quotes who previously would not have been invited to tender. Work also continues with the procurement board regarding wave plan opportunities where the Business Development Team have identified tenders totalling c £17m that could be secured locally. Over 100 businesses have been identified who could potentially bid for works and each will be engaged and supported as above should they wish to tender.

This progress is also supported by ongoing research and analysis to enhance the understanding of local spend impact and to identify sector gaps where there is limited local presence is also important to help build local capacity.

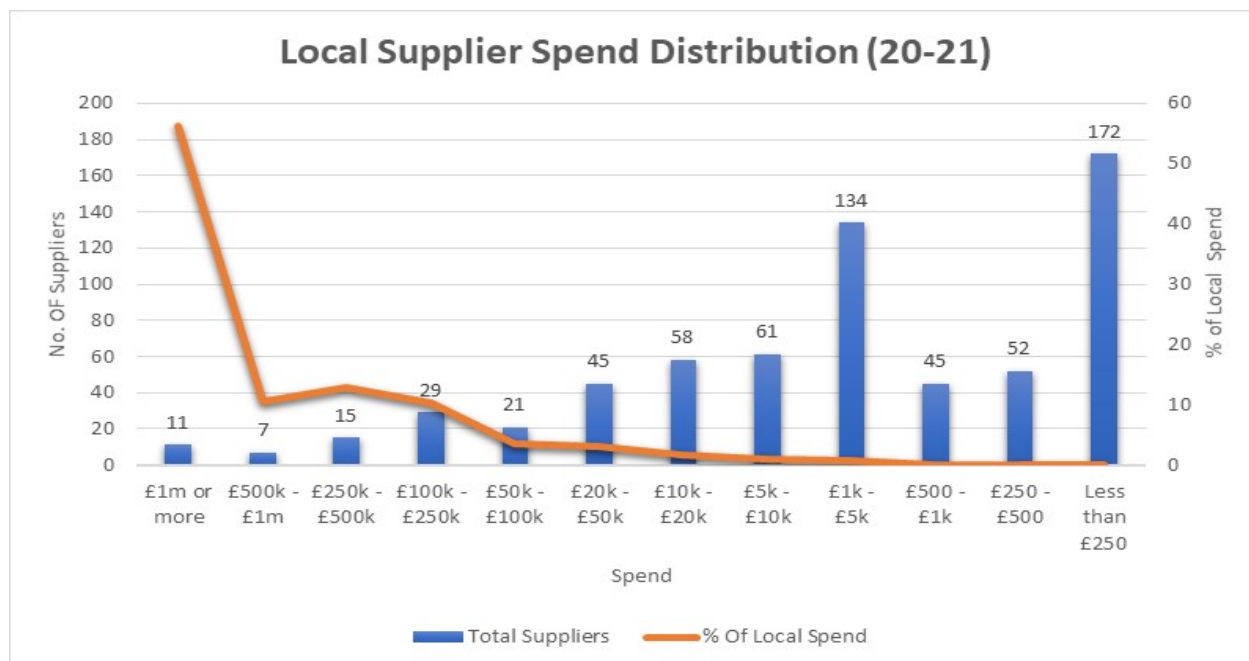
- 2.16 As stated above, the Council spent £45.1m with 650 local suppliers during the year which was an increase from the previous year of £1.9m spent locally. The graph below shows both the actual spend as well as the percentage of the total annual spend with local suppliers over the last 10 years.



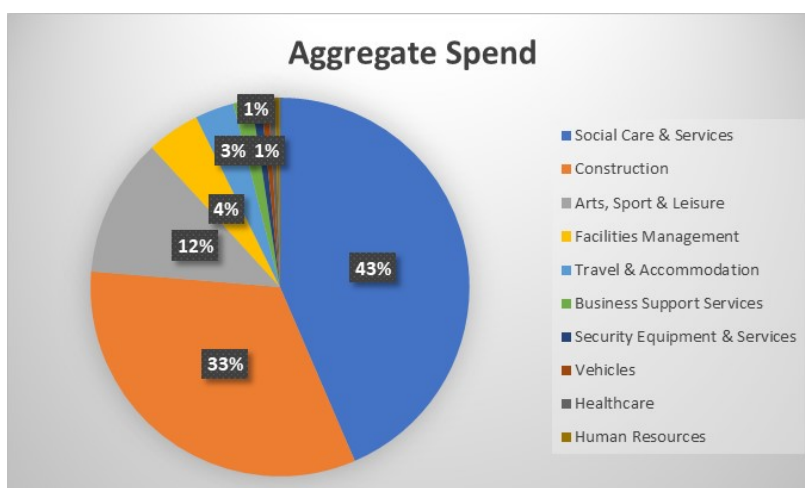
(Note: Data sourced from Spikes Cavell utilising the full spend detail report for each year)

The actual spend data shows a steady increase throughout the 10-year period, more than doubling from £20.5m in 2011-12 to £45.1m in 2020-21

- 2.17 From the local suppliers used, the top 11 suppliers by value all received more than £1m and the total value for the top 11 suppliers was £25.4m (56% of total local spend). At the opposite end of the spend spectrum 269 suppliers received less than £1,000. The graph below shows the spend distribution across local suppliers.



2.18 An analysis of the spend with local suppliers shows that over 75% of the total 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 £100K for works, the Council use the Quick Quote functionality. The process states that if 5 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 20-21, 39 Quick Quotes with a value of £1.5m were awarded of which 9 with a value of £0.39m were awarded to local suppliers.

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 Council officers involved in the procurement process continues to raise awareness of the local supplier base and their capability to supply the Council.

- 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 invested the most within North Ayrshire. The combined spend for NAC, East Ayrshire Council, South Ayrshire Council, NHS Ayrshire & Arran, Scottish Fire and Rescue Service and Scottish Enterprise was £744m with £56m (7.5%) spent with local North Ayrshire suppliers.
- 2.22 Although procurement legislation does not permit preferential treatment for companies based on location, there is a strong desire within the Council to enable and support local suppliers to be more successful in winning Council 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. Further, an Ayrshire CWB Procurement Lead Officer Working Group was formed 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 tendering process, community benefits are requested either on a voluntary basis or as a mandatory requirement, dependant on the value of the proposed contract. The community benefits requested during 20-21 focused on employment, education, supply chain and community projects. The table below shows what was delivered during 20-21

Benefit Type	Delivered Quantity
New Apprenticeships (Weeks)	418
New Jobs (Weeks)	2920
Work Placements	36
School Projects	23
SME/TSO Workshops	21
Community Projects	20

As part of CWB a new approach to community benefits is being developed to maximise the benefits from contracts, this will include the uses of TOMS (Themes, Outcomes and Measure), scoring tenders and the introduction of a community wish-list.

Additional Local Economic Impact of Procurement expenditure

- 2.24 There are many examples of businesses with a local presence, employing local people, that have a head office out with the Council area. Similarly, high value contracts often involve an element of sub-contracting that could be with local suppliers. Some further analysis has been carried out on the 20-21 spend data to try and identify additional economic benefit from procurement spend in the following areas: Care Homes, Care at Home, 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 £211.3m spent by the Council.

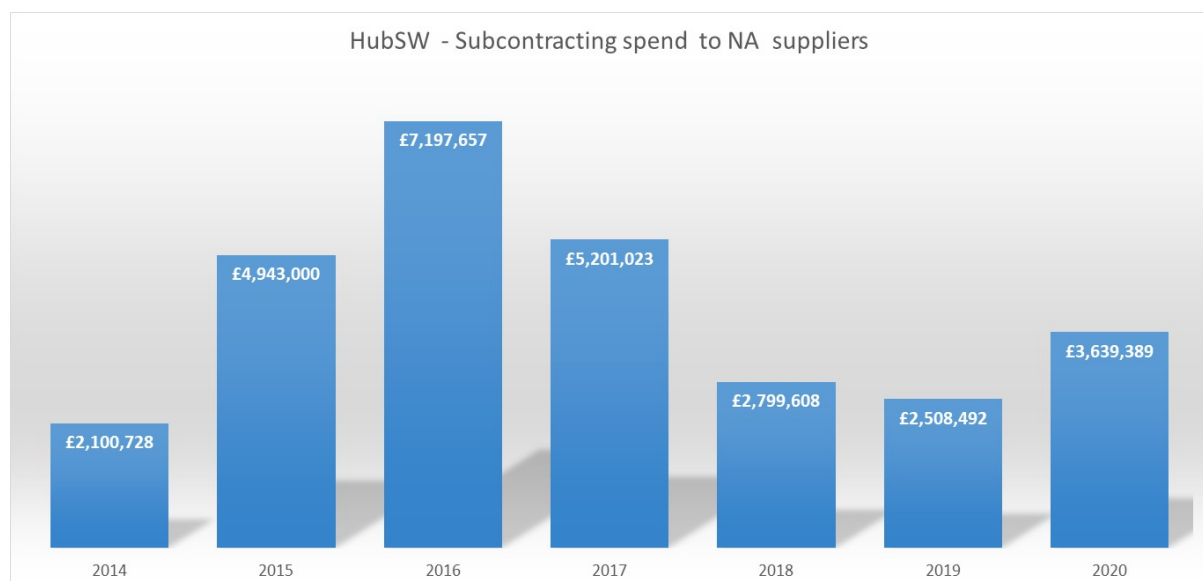
Care Homes - A review of all adult care home spend was undertaken to identify those homes that are located within North Ayrshire but have an invoice address out with the

Council area. An additional £5.3m was identified as being spent with locally based care homes.

Care at Home – As care at home requires service users to be visited frequently in their North Ayrshire homes, there is a very high probability that the suppliers from out with the Council boundaries will employ local people to provide the service. A review of the spend data shows a further £4.3m that is likely helping to provide local based employment.

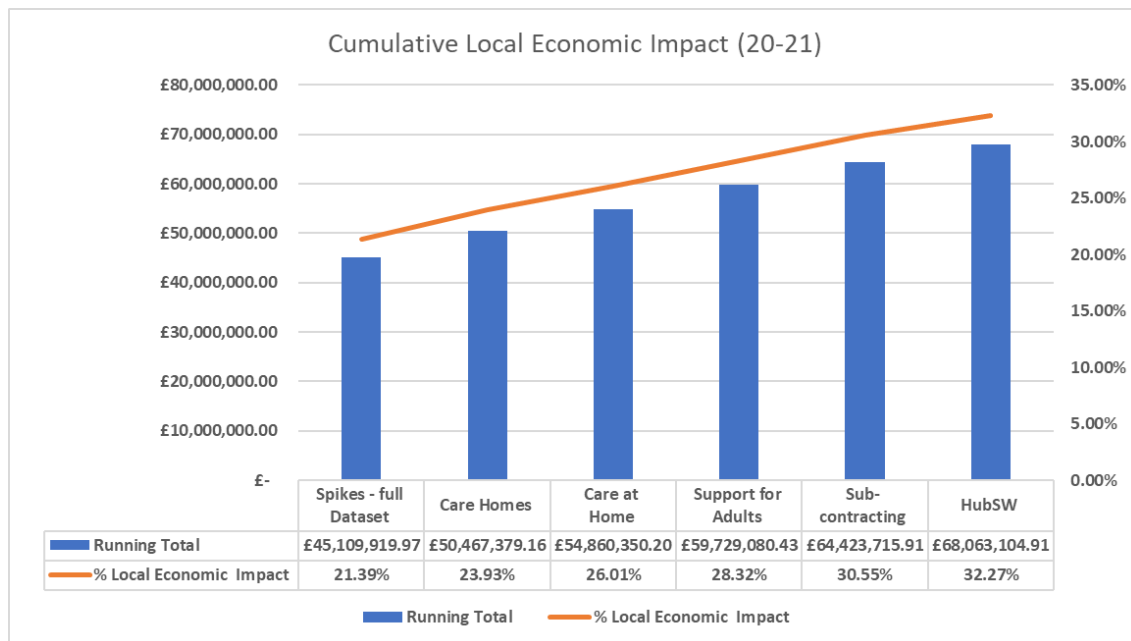
Community Support for Adults - like the above, there is a high likelihood of local employment opportunities to provide support for Adults within North Ayrshire. Initial spend analysis has indicated a total of £4.8m being spent on Services delivered locally.

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 contracted spend was £12.6m of which £4.7m was sub-contracted to local suppliers. Similarly, a significant amount of expenditure is contracted annually with HubSW. Following a request for information on local sub-contracting activity, HubSW advised that they used North Ayrshire suppliers to provide both goods and services and that these suppliers were used for both North Ayrshire contracts as well as other public sector contracts. The graph below illustrates that between 2014 and 2020 local suppliers benefited from over £28m spend from HubSW projects, with £3.6m in 2020.



2.25 Although the Spikes Cavell data shows that £45.1m (21.39%) is the Council's local spend data, as detailed above the impact from the procurement expenditure has a much greater local economic impact when we consider locally based care homes, 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 £45.1m direct local spend, a further £22.9m 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 32.7% of total spend in 20-21.

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 the Council's duty to secure Best Value.

Human Resources

- 4.2 None

Legal

- 4.3 Council procurement activities complies 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 tenders
- 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, the Council strongly believes that all employees should be paid the living wage. The Council encourages all bidders to pay the living wage and as part of future tendering 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. Procurement 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.

Mark Boyd
Head of Service (Finance)

For further information please contact Anne Lyndon , **Senior Manager – Corporate Procurement** , on 01294 324097.

Background Papers

[Click here to enter text.](#)

Appendix 1

Top 20 Suppliers by spend – 2020/21

Supplier Name	Aggregate Spend
HUB SOUTH WEST SCOTLAND LTD	£ 45,570,922.26
PPP SERVICES (NORTH AYRSHIRE)	£ 13,179,261.86
NORTH AYRSHIRE LEISURE LIMITED	£ 5,053,915.00
MCTAGGART CONSTRUCTION LTD	£ 4,728,895.97
MARLEY CONTRACT SERVICES	£ 3,967,226.29
HANSEL ALLIANCE	£ 3,710,968.86
CSN CARE GROUP LTD T/A CAREWATCH	£ 2,990,350.84
MCLAUGHLIN & HARVEY LTD	£ 2,981,023.94
RICHMOND FELLOWSHIP SCOTLAND	£ 2,949,634.33
EMTEC PROPERTY SERVICES LTD	£ 2,789,075.34
JAMES FREW LTD	£ 2,378,088.40
BUCKREDDAN LODGE NURSING HOME	£ 2,367,289.82
D MCLAUGHLIN & SONS	£ 2,284,394.78
CORNERSTONE	£ 2,242,489.30
HILLHOUSE QUARRY GROUP T/A MACASPHALT	£ 2,105,152.86
HAMILTON TARMAC	£ 1,962,135.19
KEY HOUSING ASSOCIATION LTD	£ 1,954,522.44
HC ONE OVAL LTD-FULLARTON CARE HOME	£ 1,786,750.84
QUARRIERS	£ 1,714,245.00
CALEDONIA CARE HOME	£ 1,709,513.15
	£ 108,425,856.47