

Cabinet Committee on Performance Improvement

Meeting to be held on 11 December 2014

Electoral Division affected:

All

Implementation of the Procurement Service Implementation Plan

(Appendices 'A' and 'B' refer)

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Executive Summary

As a result of changes to the County Council's Strategic Partnership earlier this year the Lancashire Procurement Centre of Excellence transferred back to the County Council. At that time it was recognised that the service was not achieving the objectives set by the County Council and new interim line management arrangements were established in order to drive forward change within the service.

The Deputy County Treasurer has undertaken this role since the service transferred and a number of key actions have been undertaken including the development and approval of a Procurement Strategy and the implementation of a service improvement plan. In October 2014, Cabinet approved the County Council's new procurement strategy and, at the same time, agreed that progress in implementing the service improvement plan be reported on a quarterly basis through the Cabinet Committee for Performance Improvement (CCPI). This report is the first of those quarterly progress reports.

Recommendation

The Cabinet Committee on Performance Improvement is asked to note the report and comment as appropriate.

Background and Advice

As a result of changes to the County Council's Strategic Partnership earlier this year the Lancashire Procurement Centre of Excellence transferred back to the County Council. At that time it was recognised that the service was not achieving the objectives set by the County Council and new interim line management arrangements were established in order to drive forward change within the service.

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Procurement Service

The Procurement Service is a large and diverse service that provides a range of services including tendering, procurement management information, supplier relationship management, sourcing of goods and the payment of invoices. All of these functions contribute in different ways to the County Council's ability to meet its objectives set out in the Procurement Strategy and therefore monitoring of each area is important. A service improvement plan encompassing each of these areas has been developed and progress against that plan is set out at Appendix 'A'. Within the improvement plan are a number of key areas for which further information is provided.

Service Improvement Plan

Overall, good progress is being made across most of the key strands and performance is considered to be on track in most areas. Progress around some of the targets around supplier engagement in new systems is not as advanced as anticipated and further work is required. The most notable achievements and also areas of slippage are set out below;

- **Procurement Strategy**

The County Council's Procurement Strategy encompasses all aspects of the County Council's procurement-related activity. The strategy builds on recognised best practice amongst local authorities and sets out the Council's aims and ambitions in relation to procurement particularly in relation to key areas such as social value, sustainability and the living wage. A robust consultation process was undertaken with key stakeholders and a number of changes were made to the draft strategy as a result of this. In particular stakeholders wanted greater clarity on how the Council intended to achieve its objectives and also how they were able to access tendering opportunities. These were addressed in the final approved strategy.

- **Procurement Board**

To be successful and to drive forward policies and working practices that will support the achievement of the broad objectives of the procurement strategy a Procurement Board has been established. The Board membership currently comprises director level representatives from all Directorates. The Board meets on a regular basis and has already started to shape and influence policies and approaches in working practices which will underpin and support the procurement strategy. As well as overseeing performance on specific activities, a number of key pieces of work are underway that are being overseen by the Procurement Board including;

- An approach to Social Value

- Embedding effective contract monitoring
- Review of procurement standing orders
- Streamlining procurement practices
- An approach to category management

Membership of the Board will be reviewed shortly to ensure representatives from the new organisational structure are involved. This will happen early in 2015 as and when strategic posts are appointed to.

- **Maximising the benefits of electronic systems**

A significant amount of work is underway to 'onboard' suppliers so that they are registered and able to use the County Council's systems. The benefits of the systems for supplier is that they will be made aware of tendering opportunities, can submit invoices electronically and ultimately be paid more promptly. Progress in achieving this has been slower than anticipated and a full review of all systems is currently planned with key stakeholders, including BT Lancashire Services Limited (BTLS), to identify and overcome any issues. The review will cover all systems that are currently used within the service including the e-sourcing/tendering systems and the range of payment systems.

Monitoring Framework

To be effective it is proposed that in addition to the service improvement plan that a dashboard of key performance indicators be produced. The objective of the dashboard is to quickly establish and monitor the County Council's performance against the objectives set out in the procurement strategy. A dashboard showing performance to the end of October 2014 is attached at Appendix 'B'. It is anticipated that the dashboard will evolve to ensure that up to date issues are reflected and to take account of the availability of new information that we hope to have once we have streamlined and managed our data in a way that isn't currently available.

Key activity included in the dashboard includes;

- Payment performance
- Procurement performance
- Supporting Suppliers

Payment Performance

Payment performance is key as it underpins the County Council's commitment to pay suppliers promptly and additionally to support small and medium sized enterprises (SMEs) where cash flow is of utmost importance. Performance is split against 3 targets; payment within 10 days, payment within 30 days and payment beyond 30 days. The target is currently set at 100% achievement for all invoices to be paid within 30 days. There is however a commitment to pay SME's in 10 days although this has yet to be quantified as a target largely due to the fact that we are currently unable to identify which of our suppliers are classified as SMEs. Regardless of this, our performance in Quarters 1 and 2 falls below the target at 74% and 77% respectively.

Some of the performance issues relate to the implementation of the new Liquid Logic System and care portal that was introduced in June 2014. There have been delays in making payments to some care providers as quickly as we would like and this has affected overall payment performance. Mitigating actions and interventions have been put in place to support providers and to try to resolve some of the issues as quickly as possible. This has involved many different services including procurement, adult social care and BTLs. Although progress has been made, some issues remain and work is ongoing to resolve these.

Overall payment performance is improving and a set of actions are in place to improve the position as follows;

- Engage with suppliers and encourage use of the County Council's electronic systems. This will include the roll out of new systems.
- Further roll out and enforce the 'No Purchase Order/No Pay' policy. This will avoid delays when invoices are received for which there is no purchase order.
- Cleanse the supplier database, agree classifications, i.e. SME, VCFS, and apply to all suppliers. This will require clear definitions for each of the categories to be agreed.
- Review payment terms where appropriate.
- Provide more advice, training and support to all staff across all Directorates on the importance of processing invoices promptly.

Procurement Performance

Prior to the transfer of the service to the County Council there were many examples of contracts being extended as procurement processes weren't completed in a timely manner. Since then no contracts have been extended and all procurement activity has been carried out within agreed timescales. In the first two quarters of the year 48 contracts have been let with a value in excess of £46m. The County Council has been challenged on only one of these contracts and this was unsuccessful. Up to the end of October the number of contracts let is 66 with a value of £72m.

An analysis of the contracts let in the current financial year (up to and including October 2014) show that within these 66 contracts (some of which are framework agreements), 104 contractors within Lancashire have been engaged with contract value of £57m and a further 11 contractors within the North West have been engaged with a contract value of £14m. At this stage we have defined Lancashire and the North West as those companies that are either based here or who are known to be national but work from a local base. This does not necessarily mean that the work is carried out in Lancashire though currently we have no other way of measuring this. Over the coming months as our supplier databases are cleansed we hope to provide more accurate data on this measure. We are also unable to analyse between SMEs, VCFS etc. and again this should be possible in the future once the data cleanse and categorisation of our supplier database is complete.

Supporting Suppliers

Many suppliers contact the County Council through dedicated customer support lines. Previously calls weren't monitored effectively and the Customer Access

Service has been involved in reviewing our processes, implementing some changes, improving customer care and setting some targets that are comparable with their own service. Performance is improving with the October figures showing that the target set for the service has been exceeded.

Future Considerations

- ***Payment performance***

Under new proposals within European Union Directives which are due to be enacted within UK legislation in the next one to two years, all public authorities will be subject to increasingly stringent requirements in terms of payments and procurement.

Lancashire County Council will be required to publish payment performance in detail and also calculate and apply the financial penalties inherent within the EU Late Payment Directive and 2013 Late Payment of Commercial Debts Regulations - regardless of whether we have paid these amounts or not. In order to be able to respond to these changes effectively it is important that performance is monitored and reported on a regular basis in order to ensure that we can comply with any new requirements as and when they emerge. To do this a number of relevant performance indicators have been included in the performance dashboard set out at Appendix 'B'. This information also helps inform the County Council on its performance against key objectives set out in the Procurement Strategy in relation to prompt payments and supporting SMEs.

- **EU Directive**

A new EU Directive on Procurement is expected early in 2015. There has been some indication nationally around what the new Directive will include however the final version is awaited. This may require and necessitate some changes to the way in which the County Council conducts its business and consequently the situation is being monitored closely by the Procurement and Legal Services. Further updates will be provided once the final version has been released.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Failure to act on the service improvement plan will mean that the County Council does not achieve its objectives in relation to procurement, may not comply with legislation around procurement and payment processes. This could lead to expensive legal challenges and additional costs as a result of late payments to suppliers.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
Report to Cabinet - 'Approval of the County Council's Procurement Strategy'	9 October 2014	Dave Gorman, Office of the Chief Executive, (01772) 534261