

Cabinet Committee on Performance Improvement

Meeting to be held on 10 March 2015

Electoral Division affected:

All

Implementation of the Procurement Service Improvement Plan

(Appendices 'A' and 'B' refer)

Contact for further information:

Lisa Kitto, (01772) 534757, Office of the Chief Executive

lisa.kitto@lancashire.gov.uk

Executive Summary

This report provides information on the progress made to date in implementing the Procurement Service improvement plan and the current performance of the service against the key performance indicators aligned to the newly introduced procurement strategy.

Recommendation

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

Background and Advice

Since transferring back to the County Council earlier in the year, the Procurement Service has been subject to a service improvement plan. The Cabinet Committee for Performance Improvement received a report in December 2014 at which an update on progress against the plan was presented. It was agreed at the meeting that quarterly updates would be provided to the Cabinet Committee. In addition to this, some requests for information were made and have been incorporated in this latest monitoring report.

The Deputy County Treasurer has undertaken the role of Head of Service since the service transferred to the County Council. Following the design of the County Council's new organisational structure, the service will fall into two services: the Procurement Service and Exchequer Services. Heads of Service have been appointed and the current teams within the Procurement Service are in the process of transitioning to the new teams for 1 April 2016.

Service Improvement Plan

A service improvement plan has been introduced which covers the diverse range of activities currently provided by the service including tendering, procurement management information, supplier relationship management, sourcing of goods and the payment of invoices. Overall, good progress is being made across most of the key strands and performance is considered to be on track in most areas. A number of actions have been delayed either due to delays in the introduction of new procurement legislation that has impacted on the timescales for new procurement rules and contract standing orders, or to allow the newly appointed Head of Procurement to have input into any decisions and or changes to procedures and policies going forward, for example developing the County Council's approach to Social Value in procurement. Where appropriate revised timescales have been set.

The position on two of the key areas included within the improvement plan is set out below:

- **Procurement Strategy**

The County Council's procurement strategy was approved by Cabinet in October 2014. The strategy which encompasses all aspects of the County Council's procurement-related activity is a key tool in assisting the County Council to improve procurement activity across the County Council and to help the organisation achieve its objectives, particularly trying to overcome barriers in current processes that prevent some smaller and voluntary organisations from working with the Council. Many of the strands within the service improvement plan support the implementation of the procurement strategy and work is progressing well. The performance indicators attached at Appendix 'B' show progress against the strategy for some key performance areas.

- **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 was re-established in May 2014. Given the changes to the County Council's structure discussions are ongoing to determine the future membership of the Board in order to align it with the new organisational structure. It is planned to have the new Board in place by 1 April 2015.

Performance Dashboard

In addition to the service improvement plan, a dashboard of performance indicators for key activity aligned to the procurement strategy was produced and presented to the Cabinet Committee in December 2014. Initially three key activity areas were identified and reported. At the request of the Cabinet Committee the dashboard has been reviewed and updated to include specific information on savings achieved through procurement activity. Other key data that has been incorporated in the dashboard includes:

- **Payment performance**

- Procurement performance
- Supporting suppliers
- Savings

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. As reported previously 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 some more work is required in order to classify the whole of our supplier database and identify those suppliers that are classified as SMEs.

Our performance during the year falls below the target across all quarters during the year (74%, 78% and 79%), however, it is gradually improving as a result of the actions put in place which are ongoing and include:

- Engaging with suppliers and encouraging the use of the County Council's electronic 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.
- Reviewing payment terms where appropriate.
- Providing more advice, training and support to all staff across all Directorates on the importance of processing invoices promptly.

In addition, a specific action has been included in the service improvement plan to cleanse the supplier database and agree the organisation classifications, i.e. SME, the Voluntary, Community and Faith Sector (VCFS) which will be applied to all suppliers. This will enable accurate information on payments to SMEs to be extracted from the system and monitored effectively. Work is already ongoing with this data cleanse, and is a priority within the service. This exercise will require clear definitions for each organisational classification to be agreed and cleansing of a high volume of data. Consequently it is anticipated to be completed by the third quarter of the new financial year.

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 only six contracts have been extended and the vast majority of all procurement activity has been carried out within agreed timescales. In 2014/15, 99 contracts have been let with a value in excess of £82m for the period up to 31 January 2015. The County Council has been challenged on only one of these contracts and this was unsuccessful.

An analysis of the contracts let in the current financial year (up to and including January 2015) shows that within these 99 contracts (some of which are framework

agreements), 291 contractors within Lancashire have been engaged with a contract value of £53m and a further 73 contractors within the North West have been engaged with a contract value of £16m. 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. The completion of the data cleanse and organisational classification will assist in providing more meaningful data in the future.

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. The January figures clearly indicate that performance continues to improve and the target set for the service has been exceeded.

Savings

The Procurement Service has assisted the service areas within the County Council to achieve total savings per annum of approximately £2.46 million this financial year. The five contracts with the highest savings per annum are indicated in the table below.

Contract	Savings per annum £
Fostering Framework Agreement	1,200,000
Supply & Distribution of Fresh Produce	278,344
Care & Urgent Needs (Goods)	194,500
Parking Enforcement & Notice Processing	172,500
Rosebud Fund	146,000

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