

Cabinet Committee on Performance Improvement

Meeting to be held on 5 October 2015

Electoral Division affected:

All

Implementation of the Procurement Service Improvement Plan

(Appendices 'A' and 'B' refer)

Contact for further information:

Rachel Tanner, (01772) 534904, Head of Service, Procurement

rachel.tanner@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 procurement strategy.

Recommendation

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

Background and Advice

The Procurement Service has been subject to a service improvement plan since transferring back to the County Council in 2014. The Cabinet Committee on Performance Improvement received reports in December 2014 and March 2015 where updates against the plan were presented.

Following the design of the County Council's new organisational structure, the service has split into two services: the Procurement Service and Exchequer Services and new Heads of Service have been in post since 1 April 2015. This report focuses on the performance of the Procurement Service, and the related actions within the existing service improvement plan.

Under the new organisational structure the Procurement Service sits within the wider Corporate Commissioning function and is responsible for the buying of goods, services and works for the County Council. There are three Category Management Teams that look after three main categories of expenditure; care and public health, construction and assets and corporate goods. Whilst each team buys different types of goods and services they all follow the same processes in relation to developing specifications, tendering and contract award processes. These teams are also combined with low value sourcing activity to ensure compliance with procurement regulations, working within existing frameworks, contracts and catalogues.

In addition to the three Category Management Teams, is a Procurement Information Management (PIM) Team which is responsible for the management and control of data within the Oracle suite of systems and supporting operational systems.

Service Improvement Plan

As reported previously a service improvement plan was introduced to cover the diverse range of activities provided by the former service including tendering, procurement management information, supplier relationship management, sourcing of goods and the payment of invoices. Whilst progress had been made in a number of key areas, a review of the position under the new service management arrangements has highlighted that not all actions had been implemented as anticipated by March 2015. The actions relating to the service going forward and the current position, including revised timescales where appropriate, is attached at Appendix A. It is acknowledged that a number of actions were deferred to allow the newly appointed Head of Procurement, and the newly formed Procurement Board to have input into any decisions and or changes to procedures and policies going forward. This includes the revision of the new procurement rules and developing the County Council's approach to Social Value in procurement.

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. 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. The membership of the Board was changed in April 2015 to reflect the new County Council structure, ensuring appropriate director level representation. The Board has met on a bi-monthly basis since 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 and March 2015. The objective of the dashboard is to establish and monitor the County Council's performance against

objectives set out in the procurement strategy. A dashboard showing the related service performance to the end of July 2015 is attached at Appendix B.

It is anticipated that the service will build on the work already undertaken in this area to demonstrate more effectively how the procurement strategy is being embedded within operational practices, particularly around overcoming the barriers in current processes that prevent some smaller and voluntary organisations from working with the Council. A specific action has been included in the service improvement plan to support this development with the cleanse and update of the supplier database to enable procurement activity to be reported against organisational classifications, i.e. SME, and the Voluntary, Community and Faith Sector (VCFS). Work on this area is at a preliminary stage and is not anticipated to be completed until the end of the 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 and previous progress reports to the Committee have indicated an improvement in awarding contracts on time up to the end of 2014/15. Following a review of the ongoing procurement activity at the start of this financial year, a number of contracts were identified that had either expired or were expiring before the completion of the ongoing procurement process and it was necessary to request formal approval to extend these contracts in line with the County Council procurement rules. The associated contracts focussed on two specific Category Management Teams; care and public health and construction and assets. The table below indicates the number of contracts involved and the total value of the contract extensions.

Category Management Team	Number of Contracts	Extension Value £
Care and Public Health	13	1,384,573
Construction and Assets	3	1,274,667

Whilst procurement exercises were underway in relation to these contract extensions, it was recognised that further work was required as a priority to reinforce and build upon the operational arrangements already in place to help prevent this situation re-occurring. Notwithstanding these new arrangements, there will inevitably be an ongoing, occasional need for contract extensions brought about by circumstances which the Council acting as a diligent contracting authority could not have foreseen.

A number of key activities have been undertaken since the start of the financial year or are ongoing to support this, including :

- Heads of Service training which was completed in July 2015, to highlight in particular the need for planned procurement activity to be shared with the Procurement Service at the earliest opportunity;
- An ongoing review of the current contracts register to highlight any potential gaps in contract information; and

- The reintroduction of timely management reviews of current procurement activity.

The further development of the contacts register, which includes the end dates of all contracts listed together with the refresh of the service plans will help to highlight more effectively the lead in times for procurement exercises to be completed on time.

This activity is also closely monitored by the Procurement Board.

An analysis of the contracts let in the current financial year (up to and including July 2015) shows that within these contracts, 34 contractors within Lancashire have been engaged with a contract value of £11m and a further 37 contractors within the North West have been engaged with a contract value of £6m. 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.

Whilst the service has not seen a rise in the receipt of formal challenges around procurement activity, it is important to understand that a number of queries are received generally in relation to procurement exercises, which have been categorised as informal challenges in the performance dashboard data. The appropriate resolution and response to these queries by the service, in liaison with colleagues from Legal Services, assists in ensuring that such queries do not escalate into formal challenges and helps to demonstrate the robust nature of the procurement activity undertaken.

The service has made significant progress in registering social care providers to use the Care Portal, which allows them to send invoices through electronically for payment. Further work is required to encourage providers to make use of this portal and this is being taken forward in liaison with our colleagues from Exchequer Services.

Supporting Suppliers

Many suppliers contact the County Council through dedicated customer support lines. Arrangements had been put in place with the assistance of the Customer Access Service, which had improved this area of activity in the previous year. The figures for the year to date indicate that performance continues to improve and the target set for the service has been exceeded.

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, and may not comply with legislation around procurement. This could lead to costly legal challenges.

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