

Audit and Governance Committee
Meeting to be held on 25 January 2016

Electoral Division affected:
All

The Procurement Service Update Report
(Appendices 'A' and 'B' refer)

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Executive Summary

This report provides an update on the performance of the Procurement Service, including 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 Committee is asked to note the report and comment as appropriate.

Background and Advice

The County Council spends approximately £340million a year on goods and services procured by the Procurement Service, and currently has over 420 contracts in place.

The Procurement Service was transferred back to the County Council from One Connect Limited in February 2014. Following the design of the County Council's new organisational structure later in 2014, the service was split into two services: the Procurement Service and Exchequer Services and the new Head of Procurement has been in post since 1 April 2015.

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, the service has a Procurement Information Management (PIM) Team which is responsible for the management and control of supplier data within the Oracle system and supporting operational systems. The team is responsible for setting up and maintaining supplier information on the system.

Service Improvement Plan

Since the service transferred back to the County Council in 2014, it has been subject to a service improvement plan, which was introduced to cover and improve 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 good progress had been made in a number of key areas in the first year following the transfer, not all actions had been implemented as anticipated by March 2015, largely as a result of the Council's transformation agenda. This position has provided the newly appointed Head of Procurement and the newly formed Procurement Board the opportunity to have a direct input into the decisions and changes to procedures and policies going forward at a time of unprecedented change within the County Council. In particular, it has enabled a more effective review of the Council's procurement rules to be undertaken to ensure they are practical and support the smooth running of the organisation, aligning them more closely with the revised Scheme of Delegations to Heads of Service and Cabinet Members. The revised procurement rules are due to be presented to the Full Council in February 2016.

The actions relating to the service going forward are progressing well and the current position, including revised timescales where appropriate, are attached at Appendix 'A'. The Procurement Service has reported progress against the plan to the Cabinet Committee on Performance Improvement in December 2014, March 2015 and October 2015. The main areas included in the plan are 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 meets on a bi-monthly basis.

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. 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 November 2015 is attached at Appendix 'B'.

The service is building 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. small medium sized enterprises (SMEs), and the Voluntary, Community and Faith Sector (VCFS). Good progress has been made in this area which is on target to be completed by 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. 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 £million	Ongoing procurement exercise %
Care and Public Health	13	1.38	100
Construction and Assets	3	1.27	100
Total	16	2.65	100

Whilst procurement exercises were underway in relation to these contracts, and the majority related to short term extensions for only a few months, 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.

A number of key activities have been undertaken since the start of the financial year to further improve performance in this area and strengthen the internal control arrangements, 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; The reintroduction of timely management reviews of current procurement activity, and
- Closer working relationship with Legal Services with the introduction of weekly Legal Clinics.

The ongoing review of the contacts register, which includes the end dates of all contracts listed, together with the refresh of the category management service plans, is highlighting more effectively the lead in times for procurement exercises to be completed on time. This activity is also being closely monitored by the Procurement Board.

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.

This has been the case during 2015/16, where a further six contracts have required cabinet member approval to extend the existing contracts with an estimated extension value of £2.6 million. Three of the contract extensions were required to allow for continuity of services within the short term as decisions relating to future service provision are made, and another short term extension related to unforeseen difficulties in the transfer of services for a completed procurement exercise, which has been satisfactorily resolved.

To provide some context of the progress made by the service to reduce the number of requests for contract extensions and effectively manage procurement exercises in a timely manner, it is useful to compare the position reported here with that reported in May 2014, immediately following the transfer of the service back to the County Council. The table below shows the number of contracts which were included in a request for a blanket waiver of the procurement rules and the total value of the contract extensions to allow time for full tendering processes to be carried out and new contractual arrangements to be put in place. A significant number of contracts had either expired or were due to expire without any tendering process in place to award new contracts.

Category Management Team	Number of Contracts	Extension Value £million	Ongoing procurement exercise %
Expired contracts			
Construction and Assets	8	4.876	63
Corporate	16	7.034	63
Sub Total	24	11.910	63
Expiring contracts			
Construction and Assets	6	0.337	50
Corporate	8	2.270	25
Sub Total	14	2.607	36
Total	38	14.517	50

The position on these contracts has been taken forward by the service retendering the contracts in line with the approved extension dates.

In addition to the above blanket waiver request, an analysis of the approved waiver reports in 2013/14 identified that a further 22 contracts were extended with a total extension value of approximately £13 million across all category management areas.

Significant progress has been made by the service during this year to retender the public health contracts which were transferred to the Council in April 2013. At the time the contracts were transferred to the Council a decision was made for the responsibility to stay with the NHS Commissioning Support Unit for a period of 2 years as part of the transitional arrangements. This included 179 contracts at a total annual value of £44 million. A requirement to extend the contracts beyond the transitional period of two years into 2015/16 resulted from the delays in the commissioning processes due to the complexity and nature of the specific projects concerned and the disorganised manner in which the contracts were transferred to the Council. A significant programme of procurement activity has been in place over the last 12 months to retender these services successfully, which has been achieved through the effective working relationship with public health and commissioning colleagues to redesign the services and consolidate many of the existing contracts going forward. This has included the award of contracts for integrated sexual health services for people of all ages, and young people, the integrated wellbeing worker service for vulnerable adults, substance misuse frameworks for adults and children's services, and the School Nursing Service.

A total of 85 contracts with an annual value of £55m have been awarded successfully in the current financial year across the three category management areas up to and including November 2015. These contracts have engaged 51 contractors within Lancashire with a contract value of approximately £22m and a further 42 contractors within the North West have been engaged with a contract value of approximately £6.6m.

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. Private residential and nursing homes will be required to use the portal from the start of the new financial year in 2016/17 which will significantly improve the number of providers currently using the portal. This model is being used to register property and highways related suppliers to send invoices electronically in 2016/17 as part of the implementation of a suite of new systems in these specific areas.

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 exceed the target set for the service.

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/Tel
Report to Cabinet - 'Approval of the County Council's Procurement Strategy'	9 October 2014	Chris Mather, Democratic Services, (01772) 533559s