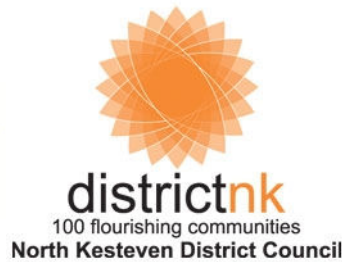


PROCUREMENT LINCOLNSHIRE

2011/12 ANNUAL REPORT



Introduction

2011/12 was a decisive year for Procurement Lincolnshire. The eight partners renewed their commitment to the shared service, the recommendations from the Year Three review were implemented and substantial new savings were delivered. The service also continued to work closely with the Federation of Small Businesses and the Chamber of Commerce to help support a strong local economy.

As Chair of the Procurement Advisory Board I continue to work closely with the service and representatives from the districts to ensure that the service maintains its high standard and continues to meet the needs of its partners. We also shape the future direction of the service to ensure it remains fit for purpose and is running as effectively as possible. Procurement Lincolnshire is an excellent example of a partnership of the county council and the seven district councils in Lincolnshire which highlights the benefits of successful collaboration between authorities.

The service is in a strong position to support the partners to meet the challenges that face us over the coming months and years. This report provides an insight into the work of the service over the last year and highlights some of the key benefits that the service has delivered on behalf of the partners.



Manjeet Gill

Chair - Procurement Advisory Board

Procurement Lincolnshire Strategic Objectives

- Efficient and Effective Procurement - delivering year on year efficiencies, but not at the cost of quality.
- Socially Responsible Procurement - developing and embracing socially responsible procurement that delivers value for money, engages with local and regional suppliers to promote the local economy, and takes into account the social and environmental impact of spending decisions.

1. Efficient and Effective Procurement

1.1 Savings

We have secured significant savings for the eight authorities by continuing to focus on collaborative procurement opportunities. The new savings delivered in 2011/12 are set out in Table 1 below, cumulative savings since PL was established in 2008/09 are shown in Table 2.

Table 1 - 2011/12 Cashable savings (as at 22/06/2012)

Authority	Savings	Target	Variance*
Boston Borough Council	£ 156,150	£ 59,585	162%
City of Lincoln Council	£ 411,948	£ 83,129	396%
East Lindsey District Council	£ 280,958	£ 185,588	51%
Lincolnshire County Council	£ 1,491,497	£ 1,775,035	-16%
North Kesteven District Council	£ 781,164	£ 110,304	608%
South Holland District Council	£ 199,026	£ 100,483	98%
South Kesteven District Council	£ 366,040	£ 60,869	501%
West Lindsey District Council	£ 166,814	£ 82,131	103%
Total	£ 3,853,597	£ 2,457,121	57%

*The variance shows the variance in performance against the target, a fully met target would show 0% variance, rather than 100%. The calculation is: ((Savings – Target)/Target) * 100

Table 2 – 2008–12 Cumulative cashable savings (as of 22/06/2012)

Authority	Cumulative Savings	Cumulative Target	*Variance
Boston Borough Council	£458,016	£162,304	182%
City of Lincoln Council	£926,479	£220,916	319%
East Lindsey District Council	£804,754	£459,494	75%
Lincolnshire County Council	£7,642,101	£4,820,756	59%
North Kesteven District Council	£1,227,260	£276,415	344%
South Holland District Council	£880,207	£259,561	239%
South Kesteven District Council	£730,433	£158,993	359%
West Lindsey District Council	£495,838	£197,269	151%
Total	£ 13,165,088	£ 6,555,708	101%

*The variance shows the variance in performance against the target, a fully met target would show 0% variance, rather than 100%. The calculation is: $((\text{Savings} - \text{Target}) / \text{Target}) * 100$

Case Study – Achieving savings through collaborative procurement

North Kesteven, South Holland and South Kesteven District Council's retain control of their dry recycling waste streams with the agreement of Lincolnshire County Council, and each had their own contracts in place. Procurement Lincolnshire led on an exercise to facilitate a collaborative tender which would accommodate individual requirements including staggered start dates.

Procurement Lincolnshire managed the procurement project working closely with the three Districts to develop a common specification and to jointly evaluate the bids. The County Council contributed software and consultant's time to allow the operational costs to be assessed. The benefits of this exercise are substantial and demonstrate an excellent example of partnership working.

Benefits include:

- Significant savings for the three Districts:

Lot	Annual Savings
1 – NKDC	£630,230
2 – SHDC	£557,127
3 – SKDC	£749,486

- Positive experience of collaborative working for all participating partners.
- Common specification agreed making the contract more attractive to the market.
- Staggered start dates enabling all possible districts to participate and ensuring a common contract period for future procurement.
- Support of increased recycled streams and recycling rates.
- Provides the opportunity for a consistent approach to support effective contract management and continuous improvement.

Case Study – Achieving savings through a national framework

PL supported Yorkshire Purchasing Organisation (part of the PRO5 group) to establish a national framework for a range of micro-generation technologies including solar panels. The service then worked closely with sustainability officers from South Kesteven District Council and Lincolnshire County Council to manage a mini competition on behalf of 5 of the PL partners and 2 Lincolnshire schools.

This £1.1 million project delivered Solar Photovoltaic Cells to 15 buildings across the county. The contract was awarded to a local (SME) supplier working in partnership with a worldwide distributor.

Benefits include:

- Collaborative savings of £400,000 were achieved on supply and installation through the use of the framework, working to a standardised specification.
- Based upon current utility costs a further £38,000 per annum will be saved on electricity costs across the partners.
- An additional government guaranteed income to the sum of £136,000 per annum for the next 25 years is being generated by the higher Feed-in Tariff across the partners.
- A significant reduction in CO₂.

Case Study – Delivering savings by embedding a Category Management approach to Professional Services.

The Professional Services Category team are responsible for the HR, Financial and Legal sub-categories with a total annual spend in the region of £24m. A comprehensive review of spend, towards the end of 2011 highlighted specific projects and areas of work that will deliver both quick wins and process driven savings in 2012-13. Synergies across the category were also highlighted in Consultancy, Legal Advice and Temporary Staffing and Subscriptions and Learning & Development.

Focusing on Procurement Lincolnshire's two key objectives of delivering savings and sustainability, the team took the core tools and principles of Category Management and applied them to the category over a series of workshops (the goal being to drive through robust work-streams for 2013 onwards. The aspiration was that Category Management influenced our work rather than work influencing our Category Management process).

The team found the process to be both challenging and empowering. Whilst this process is not complete and will be on-going as part of using the Category Management approach a number of clear benefits have already been identified.

Benefits include:

- Application of Category management principles has allowed the team to discover a wider scope of opportunities.
- Challenging existing ways of doing things (because we have always done it this way).
- Reducing duplication of effort and making the best use of internal resources.
- Using the team's knowledge of the categories to generate improvements from the market.
- Better SME engagement and relationship management.

Some New Initiatives:

Insurance – the creation, for the first time, of a working group to explore and maximise the benefits of collaboration in buying insurance.

- *Consultancy* – work is on-going to reinforce the governance arrangements around approval of consultancy spend. In addition, forthcoming solutions will allow better access to consultancy opportunities for SMEs and local suppliers

1.2 E-procurement Programme

Spend Analysis

PL has continued to drive forward the use of spend data in order to better understand the partnership spending profile and collaborative opportunities. This has seen the continued development and use of the Lincolnshire Category Analysis Tool (LCAT). PL has received significant interest in LCAT from the East Midlands Tier 1 authorities which has resulted in the submission of a funding application to the EM Councils to deliver LCAT to these authorities. This will bring additional benefits to PL partners through access to new collaborative opportunities and investment into the technology infrastructure.

e-Contract Management

The partnership can now benefit from an electronic system to manage its contract registers. A web service called Firefly has been commissioned that gives users an easy to use web portal to record contract data and documentation. This has been successfully implemented for Lincolnshire County Council and will be phased into the partnership over the coming months. Additional features are being developed that will allow Contract Managers to track and monitor contract performance and risk in order to improve the value delivered through the relationship with the supplier.

e-Tendering

The e-Tendering system continues to be successful and to date has helped Procurement Lincolnshire and its partners deliver 468 tendering exercises. Through a collaborative arrangement with the East Midlands authorities, Procurement Lincolnshire partners also have free access to an online e-Auctions system thus ensuring the partnership has access to best practice electronic procurement systems.

Procurement Cards

The roll out of procurement cards across the county continues with Boston expected to go live in April 2012. At the same time a review of procurement card use within the County Council has taken place which has resulted in unused cards being withdrawn and in some cases credit limits being lowered to a more relevant level. Monthly reports are also produced which provide information on who is using the cards and where cards are being used. This in turn leads to potential opportunities to develop contracts with suppliers, or for discussions with suppliers about developing improved processes.

1.3 Process Savings

Conservative estimates of the savings (non-cashable) that have been made through improved processes are shown below. Other projects include non-cashable savings that result from one tender being undertaken for two or more authorities which previously would have been managed as single tenders for each authority.

Process savings as of 22/06/2012

	<i>Cumulative</i>
<i>P-Card total</i>	<i>£ 1,049,072</i>
<i>Other projects</i>	<i>£ 763,630</i>
<i>Total</i>	<i>£ 1,812,702</i>

1.4 Supporting Best Practice Procurement

An on-line library of best practice procurement related documents has been developed which is available for all colleagues involved within procurement across the partnership. The on-line library includes a full suite of templates and a host of supporting materials including evaluation matrices and guidance notes. A complete review was undertaken of all documentation in 2011/12 and legislative updates such as The Bribery Act were included within the Conditions of Contract, while new documents establishing a Framework Agreement template, have been added to the library. This review is on-going to ensure all documents remain fit for purpose and up to date.

A number of corporate contracts have been developed and promoted over the last 12 months including contracts for paper, stationery and telephone line rentals and calls. Each of these contracts are with single suppliers allowing for volumes to be combined which in turn leads to better prices. This approach has also allowed for a review of what is actually being bought, making sure that the corporate contracts meet our current needs and demonstrate value for money. Each of the new corporate contracts has directly led to cashable savings.

2. Socially Responsible Procurement

2.1 TIPPS Programme (Training in Public Procurement)

Our TIPPS programme which is run in partnership with the Chamber of Commerce, the Federation of Small Businesses and Economic Development colleagues has grown from strength to strength.

We continue to deliver training for the higher value contracts (£75,000 and above) and in response to feedback from the business sector, have developed a new course which is specifically designed to show local small to medium sized businesses (SME's) how to successfully bid for contracts worth up to £75,000. These training sessions are delivered across the county and provide practical advice and guidance on the areas identified to us by suppliers – e.g. completing requests for quotations and identifying opportunities.

The benefits for suppliers in attending include:

- Having a greater understanding of public procurement and the processes;
- Being better equipped to win public sector contracts;
- Being more aware of contract opportunities and where they are advertised;
- Business networking.

The feedback has been very positive with over 95% of delegates saying they are satisfied or very satisfied with the content of the new course.

Our annual Meet the Buyer event was held at the University of Lincoln Riseholme Campus on 9th June 2011 attracting over 160 businesses, this number increases year on year. These events provide us with an invaluable opportunity to interact with a broad range of local businesses and suppliers and to understand the perceptions held and challenges faced by SME's, both locally and regionally. This information helps to inform the work that we do in supporting the local economy.

2.2 Local Purchasing Policy

Procurement Lincolnshire has worked with the eight Councils to develop a Local Purchasing Policy which requires all buyers to consider local suppliers for all purchases up to £25,000. In essence the policy means that for goods and services below £5,000 a local supplier will be used wherever possible and for any purchases up to £25,000 at least one bid will be sought from a local supplier. This policy will help contribute towards or directly deliver the following benefits:

1. Local Suppliers will be given the opportunity to bid for work.
2. Ensuring adequate competition is maintained whilst minimising legal risk.
3. Local Suppliers can register on Source Lincolnshire to receive email alerts ensuring they don't miss opportunities to bid for work.
4. Increase in economic regeneration and social development.

2.3 Community Purchasing Plan

The service has made good progress working closely with the Federation of Small Businesses and the Chamber of Commerce in delivering support to local businesses, helping them to successfully compete for council contracts. During 2011/12 we decided that to take this work to the next level we needed to begin to push the boundaries and find new ways to help the local economy. This resulted in the development of a Community Purchasing Plan (CPP) which sets out five areas for action.

Community Purchasing Plan

Five Areas for Action

- 1) Identifying opportunities and contracts which may be appropriate for Local Procurement. This has been taken into consideration as part of the Category Management approach.
- 2) Establishing and Managing Contracts through reducing internal barriers to local procurement ie: lack of track record, credit history etc. Standard documentation has been simplified.
- 3) Building Local SME Capacity, understanding and supporting the local supplier base, ie: eighty organisations benefited from Supplier Training in 2011/2012. Hosting Supplier Days relating to high value contracts encouraged SME participation through subcontracting and consortia.
- 4) Monitor and Evaluate Strategy. It is vital to understand whether the intended outcomes have been achieved. A balanced scorecard approach has been developed detailing outcomes, target and methods.
- 5) Organisational Improvements. Ensuring business process, cultures, attitudes and reward systems change focus and make local purchasing a core business objective. Procurement Lincolnshire has developed steps that need to be taken to effectively deliver this.

A set of actions underpins each of the five areas and progress against these will be monitored through and supported by the Procurement Advisory Board.

2.3 Governance

Our governance arrangements were strengthened in 2011/12 with the establishment of a new Strategic Procurement Board (STB). The STB has taken on the governance role that was previously undertaken by the Lincolnshire Finance Officers Association and it will meet three times each year and focus entirely on the work of Procurement Lincolnshire. The Board will monitor performance, work with the service to develop the annual work programme and approve the annual report and the level of financial contribution to the service from each partner. The STB will report to the Procurement Advisory Board, chaired by a District Chief Executive and with elected member and Director level representatives. The PAB welcomed Councillor Ric Metcalfe, the Leader of City of Lincoln Council, to the Board in 2011/12.

2.4 Staffing

We have made changes in the way PL is organised to help us to make the best use of our skills and experience. The service is now structured into three main areas: Category Management; Policy and Partnerships and Operations and Standards. Three new MCIPS qualified officers joined the team in early 2012 adding different areas of experience and expertise to the service from the private sector and the wider public sector.

2.5 Wider Partnership Working

Procurement Lincolnshire represents the East Midlands Councils on a number of groups including the Local Government Collaborative Commissioning Group and the Local Government Association's National Advisory Group for Procurement. Through these groups Procurement Lincolnshire is directly able to influence procurement policy and practice at a regional and national level.

The LGA National Advisory Group for Procurement has been established to influence procurement policy at a national government and EU level and to develop and share best practice in procurement across local government. In 2011/12 the Group contributed to the UK Government's response to the review of the EU Procurement Directives and worked with the LGA to develop a National Procurement Strategy for Local Government which is expected to be published in 2012/13.

PL was asked by the LGA to participate in a study of a small number of successful shared services from across the country. The research study will be published as a case study to help other local authorities who are considering developing a shared service.

Procurement Lincolnshire remains the only local authority with a shared procurement service that works on behalf of all of the local authorities within a county boundary. However, there are a small number of other shared procurement services including the Welland Partnership, PANNEL (North and North East Lincolnshire) and the LGSS arrangement (Cambridgeshire/Northamptonshire) that provide procurement services under a shared service arrangement. PL has made contact with these services and the services have agreed to meet a couple of times a year to share best practice and learning and to consider whether there are any areas for joint collaboration that would benefit the respective partner authorities.

2.6 Income Generation

Whilst Procurement Lincolnshire's prime focus is on delivering benefits for the eight partner authorities, where appropriate, the service does generate income, for example to support the development of systems or delivery of key projects. In 2011/12 the service was successful in a funding bid to the LGA for £20k to support one of its major procurement projects, Refuse Fleet. The funding has allowed PL to appoint a project manager who has significant expertise and experience in the field.

The service also secured funding from the EM Councils to allow the further development and roll out of LCAT (Lincolnshire Category Analysis Tool) to tier authorities in the East Midlands. The funding is over £100,000 and will significantly improve the infrastructure and reporting capability of LCAT.

The service has also generated a small amount of income by delivering training to Breckland District Council and, at the request of LGA, contributing to a Master Class on Shared Services for a number of authorities looking at establishing shared services. The service has subsequently been asked to provide expert input on a one to one basis to a group of District Councils to help them establish a business case.

2011/12 Key Performance Indicators

KPI	Performance Indicator	Performance indicators to understand how we are improving	2011-12 Annual Target	2011-12 Actual
11/12 – 1	Regeneration	% of local influenceable spend *This KPI has changed to “local spend” as SME data was sourced from Spikes and is no longer available to use. Local refers to the address held within the FMS and represents the Lincolnshire postcode boundaries.	50%	TBC when spend data is available
11/12 – 2	Community / Customer Involvement	Number of Procurement Lincolnshire newsletters published	4	50 newsletters / e-updates
11/12 – 3	Community / Customer Involvement	Number of engagement events held to engage with local suppliers and SMEs	9	16
11/12 – 4	Training / Development	Number of training events held to increase the skill levels across all partners	14	23
11/12 – 5	Collaborative Procurement	% of key spend areas that have a strategic sourcing plan in place	80%	100%
11/12 – 6	Collaborative Procurement	NI179 Value for money - % of shared services cash releasing efficiencies forecast	£2,457,122	£3,853,597
11/12 – 7	Collaborative Procurement	% of collaborative contracts let (2 or more authorities)	60%	52%
11/12 – 8	E-Procurement	% of tenders carried out electronically by PL	90%	100%
11/12 – 9	E-Purchasing	Number of Procurement Lincolnshire Partners using e-Marketplace	3	1
11/12 – 10	E-Purchasing	% increase in number of procurement cards*	5%	-22%
11/12 – 11	E-Purchasing	% increase in total spend through procurement cards	5%	22%
11/12 – 12	E-Purchasing	% increase in number of transactions made using procurement cards	5%	6%
11/12 – 13	E-Purchasing	Number of Procurement Lincolnshire partners actively using the Lincolnshire Procurement card	8	7
11/12 – 14	Performance Management	% of quarterly contract register updates completed	100%	75%

*The number of procurement cards was reduced due to the impact of LCC’s Managing Workforce Change Programme (reduction in FTEs).

Our key performance indicators changed in 2011/12 and, therefore, in order to demonstrate our performance over the life of the shared service we have included a summary below of our direction of travel measured over the five key areas of our service.

Key Service Area	2008/09	2009/10	2010/11	2011/12
Efficiency and Value for Money	→	↑	↑	↑
Training and Development	→	↑	↑	↑
E-Procurement and Procurement Cards	↑	→	→	→
Collaborative Procurement and Partnerships	↑	↑	↑	↑
Community and Customer Involvement	→	→	↑	↑
Regeneration	↑	→	↑	*TBC

*Awaiting 2011/12 local spend figures.

Overall our performance has improved year on year across most areas. Performance in e-purchasing and procurement cards has been maintained over the last two years but is expected to improve in 2012/13 as the full benefits of e-contract management (Firefly) are realised.

2011/12 Financial Statement

201/12 PL Budget	£
<i>Staffing Costs</i>	
Salaries	624,322
On costs	158,774
Other Staffing Costs e.g. travel	41,144
Total Staffing Costs	824,240
<i>Non Staffing Costs</i>	
Supplies and Services	43,515
e-Procurement	59,875
Other Support Costs	37,122
<i>Total Non Staff Costs</i>	140,152
Total Staffing Costs	824,240
Total Non Staff Costs	140,152
Total Costs	964,752
Budget	968,633
(under) / overspend	-3,881

3. Looking forward

The public sector continues to face significant financial challenges over the coming years and procurement is expected to play a full role in supporting Councils to manage these challenges. Procurement Lincolnshire has established a very strong working relationship with each of the member Councils, both on an individual level, and as a shared partnership.

The service and the partners must continue to work together to identify and take full advantage of opportunities to deliver maximum benefit from external spend. There will be an increased focus on those areas that will deliver most benefit and on improved contract management – the service is well placed to support authorities in both these areas. The full spend analysis undertaken in 2011/12 identified potential savings in the region of £14m over the next three years – further work will be done in 2012/13 to develop these potential opportunities into detailed business cases. The full support and engagement of the partners is essential if this scale of benefit is to be realised.

The implementation of the Social Value Act in 2012/13 and the anticipated publication of a National Procurement Strategy for Local Government will further increase the profile of procurement. The service is in its fifth year and we must work with our partners to review the Service Level Agreement and business model going forward to ensure that we continue to meet the expectations of the member authorities and continue to deliver benefits year on year.

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