

Resources Scrutiny Commission

18 December 2019



Report of: Denise Murray (Finance Director)

Title: Update on Contract Management Module

Ward: n/a

Officer Presenting Report: Steve Sandercock, Interim Head of Strategic Procurement and Supplier Relations

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Recommendation

Members are asked to note progress and where appropriate highlight areas of additional activity.

The significant issues in the report are:

Members will be aware that there have been concerns highlighted around contract management arrangements from both a systems and process perspective.

This report provides Members with a specific update in connection with progress around contract management with a particular focus on the contract management IT system.



1. Summary

- 1.1. This report provides Members with an update on activity to make improvements around the Council's overall approach to contract management.
- 1.2. The specific scope of this report focuses on:
 - i. The appropriateness of the Council's contract module fit for purpose around enabling effective Contract Management;
 - ii. The approach applied by other Local Authorities in delivery of contract modules – including what other Local Authorities use this module;
 - iii. Next steps, to include details around a clear understanding of future options on Contract Management module, and Improvements around better KPIs and contract management arrangements in general.
- 1.3. The report also notes that as part of wider context Internal Audit has tested the assurance around Contract management with more details on specific progress to identified issues highlighted separately in Audit reports.

2. Context

Background

- 2.1. Members will be aware that the Council size and scope of services provided means that with spend around spend with third party suppliers is significant, with annual spend in excess of £600m.
- 2.2. The Council does not currently have a signal approach to contract management with current arrangements around contract monitoring and contract management being devolved within and across the business
- 2.3. With such a broad remit and responsibilities presents challenges in how the Council undertakes this spend and ultimately manages the resulting contracts. Accordingly ensuring that the processes in how this is carried out are effective is essential and forms part the subject of Internal Audit control measures.
- 2.4. Internal Audit have focused on assessing the assurance around third party spend, specifically the audits Contract Monitoring (July 2019) and Off Contract Spend (Aug 2019)

Appropriateness of the Contract Module / Fitness for Purpose

- 2.5. The first focus of this report is the appropriateness of the Council's contract module and fitness for purpose around enabling effective Contract Management.
- 2.6. With a currently devolved approach to contract management the main Corporate IT system that captures an overview around contracts is the Council's ProContract (Due North) system.
- 2.7. The primary focus on the Due North system based on the functionality which the Council has purchased is around enabling the Council to undertake compliant electronic tendering and also enables the contracts let through tendering to be captured on an electronic Contract Register. This provides a compliant approach around the Council's obligations to the Transparency Code 2015, namely the publication of all contracts above £5,000 (<https://www.gov.uk/government/publications/local-government-transparency-code-2015>).
- 2.8. In regards to the Contract Register aspects of Due North it primarily is used as a contract database which also helps provide accountability from a contracts and payments perspective. There are additional basic functionality which can be deployed in how the Council utilise Due North, such as triggering end of contract reminders but would not and is not intended to be a fully functioning contract management system.
- 2.9. In summary Due North is fit for the Council's needs on electronic tendering and fulfilment around the transparency code, but is not a whole system answer regarding a fully-fledged contract management system.
- 2.10. Specific functionality beyond what the Council currently has access to and would be required to help drive significant improvements on wider contract management approaches would include but not be limited to:
 - i. Tracking, monitoring and alerts in respect of Key Performance Indicators (KPIs);
 - ii. Triggers and alerts for key contract milestones, such as review points, break clauses, and termination;
 - iii. Ability to monitor and track spend aligned to the Council's finance system;
 - iv. Reporting functionality and dashboards around monitoring and recording of overall performance;
 - v. Ability to direct interface with supplier representative around key contract interactions via the system
 - vi. Ability to monitor and manage related contract risks and issues
- 2.11. There are currently several Contract Management Systems which are already developed and commercially available. However it is important to note the implementation of robust Contract Management System alone will mean little if wider cultural arrangements in practice process and approaches to contract management are not also improved alongside this.

- 2.12. A model of best practice around early warning around supplier failure existing in Adult Services and protocols on mitigating risks in the event of such failures.

The approach applied by other Local Authorities in delivery of contract modules

- 2.13. The Council has a similar approach with others in the South West region in regards to being a main user of ProContract (Due North), with around 28 of the regional Local Authorities using this system for their electronic tendering and their contract register.
- 2.14. As a tool around electronic tendering / contract register, Due North in the public sector has a significant market sector and as such aligned with many Local Authorities.
- 2.15. Also many of the other Local Authorities in the SW Region do not have additional be-spoked contract management systems, although many do see this as an area for improvement.
- 2.16. There are pockets of good practice in place around contract management but is an area where many Local Authorities, both regionally and nationally see as an area for improvement and development.
- 2.17. Beyond Local Authorities, Cabinet Office (and Crown Commercial Services) are more leading in respect of Contract Management and supplier relationship management, influenced by the significantly larger scale of spend.

Next steps

- 2.18. The section of the report sets out what actions are to be undertaken to provide a clear understanding of future options on Contract Management module along with
- 2.19. As noted earlier in this report, there are established and credible contact management systems already in place that can be procured and implemented in the Public Sector
- 2.20. Members will be aware that effective contract management requires robust systems, processes and overarching frameworks.
- 2.21. Since late summer the Procurement Services has been undergoing a service improvement plan. A key part of the focus this work will be around making significant improvements related to the Council's contract management approach.
- 2.22. Since September, the former Procurement Service and ICT Customer Supplier Relations Management Service have been pulled under one area of line management with the aim of creating a corporate resource that supports both robust procurement and contract management.
- 2.23. Service and individual objectives have been set focusing on the development of a strategic Council wide approach to Contract Management. By March 2020 this will include:

- i. Consideration of appropriate Contract Management , processes and overarching framework - informed by best practice
- ii. Necessary communications and engagement strategy to embed change and change culture
- iii. Reporting and performance review to measure successes
- iv. Scoping and project management around this and the outcomes

2.24. Required Outcomes are:

- i. Appraisal of existing and available Contract Management Systems, followed by options appraisal to confirm suitable contract management system and agreement on implementation plan
- ii. Proactive communications and training across the Council
- iii. Define the outcomes sought from the contract management framework and identify Pilot and measures
- iv. Resource inputs defined for requirement and further roll out

2.25. Subject to sign off on the business case then from quarter 1 (2020) will see the implementing Contract Management System and framework to ensure necessary changes are embedded

2.26. Ahead of implementing any new Contract Management System, the Council is also looking to enable the existing functionality of the alerts in Due North as a standard default position. Likewise the model of best practice on approach to early warnings on supplier failure to be taken into account in the new Contract Management framework.

2.27. It is noted that with a whole system transformation around Contract Management that the likely timeline to see genuine positive improvements at least 6 months away.

2.28. It is also important to note that whilst a key foundation for this improvement work will flow from the activity there is also a broader piece of work required around embedding new ways of working, practice and culture across the organisation.

3. Policy

1. Members are reminded of the following:

- i. A duty to deliver Best Value and in doing so effective contract management is a key contributor towards this:
- ii. In addition to legislative requirements the Council's is also responsible to ensure accountability and probity aligned to the overarching constitution, through having both a formal Financial Regulations and Procurement Rules define the principles

and procedures governing the procurement of goods, services and works and the award of concessions and licences.

4. Consultation

2. Not applicable

5. Public Sector Equality Duties

- 5a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 5b) No Equality Impact Assessment has been undertaken in connection with this report due to nature of the report providing Members with an update on more operational matters as opposed to direct policy updates or recommendations

Appendices:

None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 Background Papers:

None