

Audit Committee

22nd March 2021



Report of: Denise Murray (Finance Director)

Title: Contract Management Update

Ward: n/a

Officer Presenting Report: Lee Hannan (Strategic Supplier Relations Manager)

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Recommendation

(i) Members are asked to note progress and where appropriate highlight areas of additional activity required in respect of implementing the new contract management framework and system address audit findings.

Summary

To an overview of progress around the implement of the contract management framework, system and promote the changes to the ways of working as outlined in the presentations.

The significant issues in the report are:

Implications around effective contract management and steps taken and planned to make further improvements as outlined in accompanying appendices.

Policy

1. The work being undertaken will include the adoption of a formal Contract Management Framework which will likely require Cabinet agreement

Consultation

Internal A range of consultation has been carried out internally with key stakeholders with responsibilities regarding contract management. Further details can be found in Appendix 2.

2. **External** Not applicable

Context

Following a series of Audit Reports with “limited assurance” a report was taken to Resources Scrutiny Commission in December 2019 specifically focusing on Contract Management. This report provides an update on the progress around the Councils approach to Contract Management around the organisational structure, system and governance framework to make the necessary required improvements.

A programmed approach has been taken to the improvements required within the procurement service and as such a medium-term approach is necessary due to the scale of change required.

In addition, COVID-19 has had a significant impact in 2020 due to the need to reprioritise resources on supporting the PPE logistics and supplier reliefs which has delayed original planned timelines as presented to Resources Scrutiny Commission.

Appendix 1 provide a summary of the work to date.

Proposal

3. The accompanying Appendix 1 sets out the work in place to formalise contract management framework for the Council and identification of supporting contract management system.

Other Options Considered

4. As noted in the report, findings from Internal Audits and details previously set out to Resources Scrutiny Commission highlights the need to have effective and proportionate governance and controls in place to manage contracts effectively. Putting in place the Contract Management Framework, with the right structure and system will better ensure that the Council delivers value for money in our third-party contract arrangements through effective contract management.

Risk Assessment

5. One of the key risks will be ensuring that culture and behaviours in how contracts are managed are effective and in line with the requirements of the new Contract Management Framework and associated system. An effective change management and communications programme will be put in place to support this fundamental piece of change.

Public Sector Equality Duties

- 8a) 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.
- 8b) An Equality Impact Assessment will be taken in respect of the finalising of the Contract Management Framework. Regarding identification and selection of the Contract Management System accessibility and compliance to equality matters have been engaging with IT Service to ensure requirements meet current required standards and a support Equality Impact Assessment has also been carried out specific for the system.

Legal and Resource Implications

Legal

Effective contract management is essential in delivering not just value for money but straightforward, effective contract compliance. Without effective management ensuring compliance (with all contractual obligations) and even, as a last resort, implementing contract termination is problematic. Those managing contracts need to understand the contractual terms, including parties' respective obligations; default provisions and contract remedies etc, in order to act promptly to address shortcomings; ensure performance and exit when appropriate.

Failing to understand and follow the contract terms and procedures (eg proper use of default notices) will frustrate enforcement/termination of contracts.

(Legal advice provided by Eric Andrews, Chief Accountant)

Financial

(a) Revenue Funding of £40k for a Contract Management System is already in the Service area budget

(b) Capital - None

Financial

The report is an update report on improvements in contract management following internal audit reports. There is no financial implications associated with the decisions in the report.

Spend with external organisations makes up a significant part of the Council's expenditure therefore good contract management is essential in delivering value for money for the Council. The delivery of the improvements as outlined in the report are being delivered within current service budgets which are expected to drive improvements in efficiency and value for money across all contracts with external organisations.

(Financial advice provided by Mike Pilcher, Legal Team Leader)

Land - Not applicable

Personnel

No HR implications as this report is for information only

James Brereton (People & Culture Manager) 14th January 2021

Appendices:

Appendix 2 – Background information – Strategic Procurement and Suppliers Relations Service (SP&SR)

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Resources Scrutiny Commission - 18 December 2019