

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee

DATE: 13th September 2018

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WARD(S): All

PART I **FOR COMMENT & CONSIDERATION**

CONTRACT MANAGEMENT

1. **Purpose of Report**

To provide the Overview and Scrutiny Committee with an update on Slough Borough Council's (SBC) contract management procedures.

2. **Recommendation**

The Committee are asked to note and comment on the procedures and proposals in this report.

3. **The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan**

3a. **Slough Joint Wellbeing Strategy Priorities**

The efficient procurement and management of contracts at SBC underpins the delivery of the Strategy's priorities, namely:

- Protecting vulnerable children
- Increasing life expectancy by focusing on inequalities
- Improving mental health and wellbeing
- Housing

3b. **Five Year Plan Outcomes**

Contract management also supports SBC's work across all outcomes, namely:

- Slough children will grow up to be happy, healthy and successful
- Our people will be healthier and manage their own care needs
- Slough will be an attractive place where people choose to live, work and stay
- Our residents will live in good quality homes
- Slough will attract, retain and grow businesses and investment to provide opportunities for our residents

4. **Other Implications**

(a) **Financial**

The expenditure on contracts at SBC is outlined in Section 5.1 of this report.

(b) **Risk Management**

There are no recommendations in this report which require risk management. The proposals for future arrangements and their mitigation are discussed in Sections 5.2 – 5.6 of this report.

(c) **Human Rights Act and Other Legal Implications**

There are no Human Rights Act or other legal implications connected to this report.

(d) **Equalities Impact Assessment**

The compilation of this report has not required an Equalities Impact Assessment.

5. **Supporting Information**

Background

- 5.1 SBC spent in excess of £160m with third party suppliers last year. Spend with individual suppliers ranges from a few hundred pounds to many millions. The current contracts register identifies the top five contracts with a combined total value of well in excess of £1 billion.
- 5.2 An internal Audit report from RSM was completed in September 2017 which identified a number of areas of concern. This is presented as Appendix A.

Areas of Concern

- 5.3 The main findings of the internal Audit were as follows:

- There is inconsistent contract management across SBC
- Contract management roles are poorly defined and lack clear accountability
- There is insufficient contract management capability and capacity
- Contract risks and opportunities are not well managed
- There is no process to manage dependencies and interdependencies across contracts / service areas
- The contracts register is incomplete
- Current structures will not drive sufficient change

- 5.4 SBC's Central Management Team accepted the findings of the report and agreed that the recommendations contained in the report should be implemented. A presentation was made to Senior Leadership Team on 22nd May 2018 outlining the findings, recommendations and the next steps.

Key Recommendations and Progress

5.5 The presentation to the Senior Leadership Team made the following recommendations (each with an accompanying narrative on actions since May 2018):

- **Ensure the contract register is up to date** – This has been circulated to all SLT members for their teams' updates / corrections. The contract register is reviewed monthly and published on line.
- **Categorise all current contracts** – all contracts on the contract register are being categorised using the approach proposed by RSM.
- **Create a corporate contract management framework** – the framework requirements are complete and are taken from the National Audit Office's Good Practice Management Framework of December 2016. This has been used to create a checklist and evaluation tool and is now being used to evaluate current and future contracts against best practice, prioritising the high importance contracts.
- **Create a three year forward procurement plan** – this is underway and will allow appropriate strategic procurement planning and delivery based on the needs and priorities of the whole organisation.
- **Carry out a spend analysis** – this will begin in the autumn and will allow us to identify rogue, off-contract spend and also to introduce category management to our procurement processes.
- **Design and seek approval for a new governance structure and process** – the final draft has been agreed by CMT as part of the new Commercial Strategy.
- **Design a new corporate contract management team and structure** – this has been completed and encompasses all corporate commercial activities as part of a corporate commercial team. Resourcing the new team will begin shortly.
- **Create a learning and development package** – a number of options are under consideration including those provided by the Chartered Institute of Procurement and Supply and The International Association of Commercial Contract Management. In addition, the Cabinet Office have recently published a guide, Contract Management Professional Standards, which will help shape the relevant skills and competencies we will require.

Expected Benefits

5.6 The benefits to be gained from effective contract management are many and include:

- Improved delivery and quality of contracted services / goods
- Better management of risks
- Reduced costs over the contract life
- Improved value for money
- Reduced off-contract, maverick spend
- Improved visibility of spend across the organisation
- Reduction in opportunity for fraud
- Non-operational contractual commitments, eg social value (such as apprenticeships) and continuous improvement, are tracked and delivery enforced

- Contract failures are evidenced and financial and non-financial penalties are captured
- Any potential contractor failures are identified more quickly and mitigating measures can be put into effect

Work has already begun on reviewing the Arvato contract, the Matrix contract and contracts placed with Solutions 4 Health. CMT will be regularly updated on progress.

6. **Comments of Other Committees**

This report has not been considered by any other committees of SBC.

7. **Conclusion**

The Committee is asked to comment on the arrangements being made to bolster contract management at SBC.

8. **Appendices Attached**

'A' - Contract Management Internal Audit, September 2017

9. **Background Papers**

None