

## Slough Borough Council

<b>Report To:</b>	Cabinet
<b>Date:</b>	17 <sup>th</sup> October 2022
<b>Subject:</b>	Update on Procurement and Contract Management
<b>Lead Member:</b>	Cabinet Member for Customer Services, Procurement & Performance – Councillor Ajaib
<b>Chief Officer:</b>	Director of Finance and Commercial (s151) – Steven Mair
<b>Contact Officer:</b>	Head of Commercial Services – Clare Priest
<b>Ward(s):</b>	All
<b>Key Decision:</b>	NO
<b>Exempt:</b>	NO
<b>Decision Subject To Call In:</b>	YES
<b>Appendices:</b>	None

### 1. Summary and Recommendations

1.1. This report sets out the improvements to procurement and contract management at Slough Borough Council, since the establishment of the Commercial team in 2021, and to update cabinet on the implementation of the Directions issued by the Secretary of State on 1<sup>st</sup> December 2021 in relation to the procurement and contract management function. The report also sets out the savings and best value being driven through a detailed review of the council's contracts register and further planned improvements to the commercial function

#### Recommendations:

Cabinet is recommended to:

- Note the key development activities undertaken by the Commercial team since its establishment to improve procurement and contract management at the council
- Note savings and best value being driven through detailed review of the council's contracts register.
- Note the further key development activities that will be undertaken by the establishment of an embedded commercial function, to improve the function and deliver the procurement and contract management strategy.

#### Reason:

The Council has never had a suitably led or developed central contracts and procurement function, this has been addressed since April 2021 under the interim Director of Finance and the Group Manager Commercial and looking forward will be sustainably secured as part of the Finance and Commercial team restructure.

The lack of such a suitable function has meant that there has been no strategic leadership of this work other than on an interim basis.

## **Commissioner Review**

*“Effective procurement and contract management is an essential activity for a well run authority. The Council has set out an improvement programme for this area of work to meet the requirements of the Directions regarding procurement. This update report indicates good progress. Over the past 9 months, significant procurement activity has been undertaken to build a contract register, and to ensure contracts are renewed or retendered in a timely manner, although there are still instances where this is not the case. Going forward the Commissioners would like to see regular management information on procurement and contract management activities, including waivers, to ensure procurement and contract management activity meets the highest standards.”*

## **2. Report**

2.1. The actions contained within this report ensures the Council obtains value for money in its procurement and contract management arrangements and has transparent processes in place. This is to ensure that the council undertakes appropriate procurement activity in a timely way, as procurement activity is planned and decisions are taken at the proper time.

## **Background**

2.2. From May 2019 the procurement function at Slough Borough Council was undertaken by RSM, an external consultancy company. This was intended to be a temporary arrangement (6 months) to plug a gap in internal procurement resources due to turnover of the internal team. However, the arrangement has continued due to plans to recruit a permanent team being put on hold pending the Our Futures Transformation Programme. The team provide procurement advice and support to the organisation, and since April 2021 their workload has been managed and directed by the Group Manager Commercial who was appointed as part of the organisational restructure and also manages the small in-house team.

2.3. The procurement function did not include oversight of contracts, and no centralised contracts register was in place.

2.4. The approach prior to April 2021 had meant a lack of strategic oversight of procurement and a weak function.

2.5. The Council is currently facing extreme financial pressures and has received the reports from the CIPFA review and the DLUHC which has recommended that the Council should introduce contract management to ensure services are delivered as planned and any mitigating actions can be taken in a timely manner.

## **Key developments**

2.6. Since establishing the commercial team in April 2021, the Group Manager-Commercial has led improvements to the Procurement and Contract Management function by:

- reviewing and improving the council's contract procedure rules. The revised rules improve decision making at the appropriate levels. Thresholds allow greater accountability by budget holders and senior leadership, to attempt to achieve greater compliance with the rules by simplifying low value

procurement requirements, and to free up the procurement service to concentrate on high value/high risk procurement and procurement that must be in line with government guidance.

- improving procurement and contract management governance by ensuring that authorisation for procurement activities is authorised at the correct level and to ensure that any new contract that is entered to is scrutinised, to confirm that it is appropriate, best value for the council, and there is sufficient budget. This also allows for a robust pipeline of procurement activity.
- implementing a training programme for staff to inform them of the contract procedure rules and governance processes.
- implemented a centralised contracts register which has not been in place for 10 years. This has improved the management and oversight of contracts and allows the council to plan procurement activity more effectively.
- improving procurement pipeline planning to ensure that procurement activity is undertaken in a timely way
- using the procurement pipeline information to define the size of the service in the Financial and Commercial restructure which was approved by Cabinet in June and is now its in implementation phase.
- moving away from relying on expensive consultancy support from RSM, by initiating recruitment to a permanent in-house team and procuring cheaper consultancy support whilst the team is recruited to. This support will also be used to bring in procurement specialists where no there are no in house resources.

2.7 The above improvements will in turn lead to:

- better evaluation of supplier's performance through higher quality contracts allowing for action to be taken to increase the performance and effectiveness of the contract
- decisions being taken at the proper time, which mitigates potential risks appearing in the future
- reducing contract disputes or surprises
- ensuring the Council has full oversight of all of its contracts;
- benchmarking of contracts to ensure the Council is getting the best value for money
- enables the identification of opportunities for efficiencies through joined up procurement activity with other parts of the Council, and/or with partners

### **Savings through detailed review of the council's contracts register**

2.7. The Group Manager- Commercial has worked on a review of all council contracts to identify opportunities to drive savings and value for money through stopping unnecessary contracts, re-scoping existing contracts and identifying opportunities of combining contracts of a similar nature. Note savings in ICT are predicated on a reduction in staff and/or our asset base. As a result the reviews, savings of £1.8m have been identified, broken down as follows:

Directorate	No of contracts reviewed	Contract culled	Contract combined	Contract changed	Contract created	Savings Identified* £'000
Chief Operating Officer	88	7	3	30	0	128
Chief Operating Officer – IT	63	18	5	30	0	1,100
Finance and Commercial	25	2	0	9	0	62
Place and Community/Housing and Property	103	15	9	23	3	490
People (Children)	37	1	6	4	0	N/A
Slough Children First	20	0	0	6	0	N/A
People (Adults)	94	4	3	53	0	N/A
	430	47	21	155	3	1,800

\*The savings cover this current financial year (£486,000), 23/24 (£1m) and 24/25 (£288,000)  
Note the majority of these savings have been put into the Council's MTFS except: this financial year (£166,000), 23/24 (£76,000) and 24/25 (117,000)

2.8. The opportunities identified have come under the following categories

- cull: 47 contracts have been culled, where contracts have been stopped as they are no longer needed, or improvements to IT infrastructure have removed the need for certain software solutions
- combine: 21 opportunities have been identified to combine contracts where similar services are being supplied e.g. web hosting, case management systems, or look for opportunities to procure jointly with other local authorities
- change: 155 contracts can potentially be changed through contract re-procurement. Value for money can be achieved through reviewing the scope of these contracts to ensure that appropriate solutions are tendered for and solutions are not “gold plated”
- create: Only three new contracts were identified through this process where opportunities have been identified to take into account the impact of new legislation

2.9. Each Directorate has a contracts register project plan in place to ensure that the actions agreed to achieve savings are tracked, monitored and implemented.

2.10. Savings are being tracked and monitored to ensure that they are taken out of directorate's base budgets.

### **Further key development activities**

2.11. There is more work to do, to fully embed the commercial function in the council, and to ensure that the council drives savings through contract management and procurement. The following actions will be undertaken:

- implement the contracts register on the council's finance system so contracts can be easily linked to budgets and spend.
- recruit contract management support lead to lead on development of a framework to ensure there is a co-ordinated and consistent approach to contract management- by January 2023.

- risk assess contracts and develop plans for the highest risk contracts – January to March 2023, and this will be an ongoing task within the contract management function.
- provide advice and support to contract managers to ensure contracts are being managed effectively – from January 2023.
- ensure KPI's are meaningful and monitored effectively – from January 2023
- Programme of continuous contracts register reviews to ensure the council is getting the best value for money – from September 2022 and six monthly thereafter.
- monitoring of contracts register project plans for each directorate to ensure actions relating to making savings from contracts are implemented – from September 2022.
- implement the actions in the procurement and contract management strategy that have not yet been undertaken. This is predicated on a full in house team being in place and therefore these actions will be actioned throughout the 2023/24 financial year:
  - identification and management of strategic suppliers
  - further develop cross regional and cross national approaches to procurement
  - managing contracts and relationships through development of contract management plans for business critical contracts
  - continue to maximise best value through reviews of spend, council contracts and pipeline planning
  - proactively manage strategic risks associated with contracts
  - develop a policy and framework for social value that lists key areas employed by local authorities based upon service areas to consider during procurement exercises, including impacts on carbon and relates to the motion on climate change;

### **3. Implications of the Recommendation**

#### 3.1. Financial implications

3.1.1. The plans are supported by the key elements of the Council's Constitution most notably Contract Procedure Rules and Financial Procedural Rules.

#### 3.2. Legal implications

3.2.1. The Council is under a general Duty of Best Value<sup>1</sup> to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." The development of commercial function, will enable the Council to fulfil its best value duties. These arrangements will secure continuous improvement regarding economy, efficiency and effectiveness and overall value, including social value and will be considered in the procurement and contract management process.

#### 3.3. Risk management implications

3.3.1. The Council will take a risk-based approach to the management of contracts. Contracts will be risk assessed to ensure that contracts have a robust contract plan in place, which is managed by the contract owner, and supported by the contract management support lead in the commercial team

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<sup>1</sup> Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007)

3.3.2. The commercial team will use the council's risk management framework to ensure that any risks of strategic importance are escalated to the directorate or corporate risk register and mitigating actions are managed accordingly.

### 3.4. Environmental implications

3.4.1. There are no specific environmental implications arising directly from this report.

### 3.5. Equality implications

3.5.1. The Best Value Statutory Guidance states that authorities should avoid "gold plating" the Equality Act 2010 and should not impose contractual requirements on private and voluntary sector contractors over and above the obligations in the Act. This includes seeking to remove unnecessary paperwork and obstacles to contract compliance thereby making it easier for small and medium firms and the voluntary sector to apply and bid for contracts, and lowering costs to taxpayers.

### 3.6 Procurement implications

3.6.1 All procurement projects will consider the best procurement option and procurement route. This will ensure that best value is demonstrated in each procurement undertaken.

### 3.7 Workforce implications

3.7.1 Staffing of the Commercial services team have been identified via the Functional Capability Assessment Process as part of the council's Recovery Plan. This includes consideration of organisational capability, capacity and resilience. The restructure of the Finance and Commercial Team takes this into account and sufficient capacity is being built into the structure to ensure there is a team to lead and manage procurement and contract management.

### 3.8 Property implications

3.8.1 There are no specific property implications in relation to this report.

## 4. **Background Papers**

None