



NORWICH City Council

Committee Name: Audit

Committee Date: 12/07/2022

Report Title: Contract Management Arrangements Review

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of legal and procurement

Wards: All Wards

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Purpose

The purpose of this report is to inform the audit committee on the council's arrangements for contract management and provide assurance regarding the measures in place to respond to the identified corporate risk relating to Contract Management.

Recommendation:

It is recommended that the audit committee notes the arrangements in place to support the council in managing its contracts.

Policy Framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Corporate Priority to ensure Norwich City Council is in good shape to serve the city, by ensuring effective arrangements are in place to manage contracts within the council

Background

1. The council, like many other councils, commissions a wide range of goods, services and works from a range of third party suppliers. The risks associated with each contract will vary, from relatively small, one off purchases to major contracts essential for delivering key services to the people of Norwich.
2. In February 2021, the council agreed a new Procurement and Contract Management Strategy. Throughout the strategy, emphasis is placed on the need for effective contract management to reduce our commercial risk and deliver value for money. Contract management is identified as a corporate risk, reflecting the potential impact that contract failure can have on the council.
3. In June 2021, the Government issued Procurement Policy Note (PPN) 5, National Procurement Policy Statement. This requires local authorities to have in place appropriate arrangements to determine and manage its most significant contracts. The PPN highlighted that further legislation would be forthcoming relating to what arrangements councils have in place and the requirement to benchmark this.
4. As the audit committee will be aware, contract management was highlighted previously by the internal audit service as an area for improvement within the organisation. This was reinforced by the identification over the past year of challenges regarding compliance with housing standards.
5. In September 2021, the Corporate Leadership Team (CLT) requested the Head of Legal and Procurement to undertake a review of the council's contract management arrangements.
6. In November, when reviewing the corporate risk register, the Audit Committee requested a report on the arrangements in place to support contract management and the actions being taken to reduce the corporate risk.

Reviewing past arrangements

7. Contract management has traditionally been devolved to service areas within the Council, in that individual services are responsible for managing the contracts they have rather than centralised teams. This ensures those responsible for delivery have oversight of contractor performance.
8. Contract management guidance was made available to staff on the intranet. The Council's procurement shared folders include the contract register, listing all contracts, which is then linked to individual folders with key documentation such as copies of original tenders, contracts and any agreed variations.
9. Each contract was assigned a category – platinum, gold, silver and bronze. Every year, managers of higher value contracts have been required to produce assurance statements setting out how their contract has been managed over the year, and any issues arising.

10. In principle, this provided a reasonable framework for services to use to be able to manage their contracts. However, as highlighted by previous internal audit findings, this framework was not operating effectively to address organisational risk.
11. Alongside reviewing its arrangements, the Council had commissioned SPS consultancy to undertake a diagnostic review of its procurement and contract management arrangements. The headline findings of this survey were reported to Cabinet in March. This identified that whilst officers considered they had good relationships with their contractors, there were a number of areas which required attention. In particular:
 - (a) One of the weakest scoring areas was contract management skills and knowledge, with nearly 70% of respondents considering they did not believe the right skills and knowledge had been deployed across the organisation.
 - (b) A similar volume of respondents also indicated that the Council has not deployed arrangements to monitor the stability of suppliers and manage potential supplier failure risk (it should be noted that SPS have confirmed this is a common area of development for authorities);
 - (c) The monitoring of how suppliers are delivering against sustainability and social value criteria in their contracts.
12. Taking this into account, the Corporate Leadership Team agreed to support a series of measures to improve contract management in the organisation, which are set out below.

Ensuring the right skills and knowledge are in place to manage contracts

13. Following the outcome of the SPS survey, developing skills and knowledge within the council has been the key focus area for development. Ultimately, if staff are equipped with the right insight and knowledge, it will support them in putting more effective contract management into practice.
14. Initially, the council approached the East of England Local Government Association (EELGA) and the government's own procurement service, Crown Commercial Services (CCS) regarding potential options for developing skills and knowledge.
15. The importance of developing a formal, traditional training programme was recognised. This was commissioned from SPS consultancy through EELGA. Training was provided to 40 staff during May and June, with a wide range of staff attending across two sessions – contract management basics and contract management in action. Feedback from the sessions has been very positive, and we have been reviewing other potential training needs identified through the sessions.
16. We also recognised the need for a more in-depth training offer for those responsible for managing some of the most significant contracts in the council, as well as staff within the council's procurement team. Initially, CCS were able to provide the council with access to the Government Procurement College's e-

learning programme, an accredited 3 day programme. The council will be able to continue to utilise this e-learning for new contract managers in future.

17. As a result of this offer, the council was then referred to the Department for Levelling Up, Housing and Communities (DLUHC) contract management pioneer programme. This was established by DLUHC, the Local Government Association and Cabinet Office as part of the Government's building back better programme, to encourage greater commercial skills within Local Government.
18. 9 members of staff came forward to take part in the programme, which provides formal training sessions complemented by networking opportunities; the council's individual places in the programme, which would usually cost £7,000 each, were fully funded. Staff enrolled will undertake a formal qualification as well as working with a peer network to develop their contract management approach and knowledge.
19. As a pioneer programme member, the council is encouraged to take part in participating authority events. This includes being part of network meetings to support DLUHC and access to briefings from contract leads working on major national programmes. At present, DLUHC are considering developing guidance to authorities on good practice, with the council having opportunity, through its participation, to input to this guidance.
20. Further specific guidance and training is also being provided on a case-by-case basis. Following the recent transfer of the repairs and maintenance service to Norwich City Services, staff involved in the management of the service were provided specific training sessions on the operation of the contract to ensure its effective management from the outset.

Ensuring staff have the right guidance and support to manage contracts

21. Good practice guidance in contract management was reviewed. Some of the most common approaches rely on a core framework, offering a set of principles for how contracts are managed. This is particularly effective given the variety of contracts that local authorities enter into – a very prescriptive approach can struggle to address this variety.
22. Two core frameworks were therefore reviewed to develop a contract management framework for Norwich; the National Audit Office, who developed a framework as good practice in light of various reviews they had undertaken; and Crown Commercial Services, the government's procurement practitioners who have provided advice to government authorities on monitoring contracts CCS have procured.
23. In reviewing comparative models, it was noted that sustainability and social value delivery did not feature strongly. Recognising this is a present area of weakness as identified by the SPS survey, yet an important part of our own procurement and contract management survey, this has been incorporated into the development of a draft framework for Norwich.

24. The Norwich Contract Management Framework is currently going through final review processes before its roll out to staff. The present draft is based on two key elements:

(a) Firstly, the framework sets out the assurance systems in place for contract management within the Council, and how concerns regarding management of a contract or performance of a contractor can be escalated;

(b) Secondly, the framework provides a set of criteria for officers to consider when managing their contracts. It is based on three core stages; deployment of the contract, as it is entered into; delivery of the contract during its term, and development of the contract and market to ensure the council is prepared for when it needs to re-commission the contract.

25. Further detailed guidance will be developed to supplement the framework. We are also establishing a contract management practitioner group within the council, which will meet periodically to share experience and practice, identify development needs, and support the development of guidance.

Effective assurance systems are in place to monitor contract management

26. The contract management framework, as set out above, provides the core mechanisms through which assurance over contract management and performance can be gained. This includes escalation of issues through Directorate Management teams; the council's resources and performance board, Corporate Leadership Team and at a member level. The work of internal audit provides a crucial independent assurance role.

27. A core component of the assurance framework is the introduction of contract management plans. The plans require each contract manager to set out the means they use to manage the performance levels and financial and non-financial risks in their contracts. These are retained alongside other key contract documentation and thus provide resilience in the event of staff departure or absence.

28. At this stage, contract management plans are being rolled out across highest risk contracts and for all new contracts. There is an expectation that each year, officers will be asked to provide evidence to demonstrate they are complying with the plan, as well as reviewing it to ensure it remains robust and accurate.

29. To address the concern highlighted through the SPS survey officers did not consider that supplier failure risk is being adequately addressed, the contract management plan requires officers to confirm that adequate arrangements are in place to manage business continuity risks, and for the supplier to provide copies of internal or external inspection reports related to the contract. The contract management framework prompts officers to consider potential continuity risks in relation to supplier failure and how this will be managed.

Further development

30. As this report highlights, much of the work to reinforce effective contract management practice across the organisation is still in progress; there will be

further work to do in terms of embedding practice and making effective contract management “business as usual” on a consistent basis across the organisation. As the report to cabinet in March highlighted, there is also further work to do to develop guidance on social value and sustainability, and the SPS survey highlights the potential to undertake further development in monitoring supplier viability. All of this will be taken account as part of the ongoing development of action plans within the procurement service.

31. We expect that the revised public contract regulations, which are expected to come into being in late 2022/early 2023 will include specific requirements relating to contract management, with the possibility of additional statutory guidance. Clearly, the council will need to keep a watching brief to identify areas for further development in accordance with good practice.

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council’s stated priorities, as set out in its Corporate Plan and Budget.

32. Whilst effective contract management supports the council in managing its financial resources, there are no proposals in this report that would require additional resources.

Legal

33. As set out above, the council is required to comply with PPN05/21, to ensure there are appropriate arrangements in place to manage its most significant contracts.

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	No specific implications
Health, Social and Economic Impact	No specific implications
Crime and Disorder	No specific implications
Children and Adults Safeguarding	No specific implications
Environmental Impact	No specific implications

Risk Management

Risk	Consequence	Controls Required
Failure to manage contracts effectively leads to poor financial and non-financial performance and reputational risk to the Council	Services are not delivered to the people of Norwich as expected	This report sets out the measures that have been put in place to ensure that contracts are managed effectively within the organisation

Other Options Considered

34. Within councils, there are a range of options as to how contracts can be managed and the governance arrangements that need to be put in place to support effective contract management. At this stage, the tools implemented have intended to provide a mechanism to reduce the potential risks the Council could face from ineffective contract management.

Reasons for the decision/recommendation

35. This report is seeking to provide the audit committee, as requested, with an update on the arrangements put in place to support effective contract management.

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