



## **REPORT of INTERIM DIRECTOR OF RESOURCES**

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**to  
FINANCE AND CORPORATE SERVICES COMMITTEE  
7 MARCH 2017**

### **PROCUREMENT AND CONTRACT MANAGEMENT**

#### **1. PURPOSE OF THE REPORT**

- 1.1 At its meeting on 31 January 2017 during the discussion on Agenda Item No.12 Project 180 – St. Cedds House and Car Park, the Committee was informed that a further report would be brought back to the Committee to outline some of the steps the Council can take to improve its procurement practices and more importantly contract management once the contract has been awarded.

#### **2. RECOMMENDATION**

That the Committee considers and comments on the report for Officers so that they can be given due regard in implementing a culture of consistently good procurement and contract management practices in the Council.

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 In the short period since the last meeting of the Committee on 31 January 2017, the Interim Director of Resources has undertaken a general review of the procurement procedures and support available to within the organisation and the requirements for good contract management be it a works or a services contract.
- 3.2 A number of points have already been highlighted regarding the use of the correct procurement contract and route, hence the documents to use in the procurement of works, goods and services have already been highlighted in the report to the Committee on 31 January 2017 in respect of works contracts.
- 3.3 There is a significant amount of procurement guidance and procedures including checklists on the Council's intranet for procuring officers to access. Furthermore, the Council is a member of the Essex Procurement Hub and has access to a shared but dedicated Procurement Officer who attends the offices one day a week but is also available to be contacted at any other time. The Officer is not employed by the Council but is a resource that is provided by the Procurement Hub. The lead authority for the Procurement Hub is Braintree District Council. At the present time the cost of the Procurement Officer is wholly met by the Hub by way of the rebates that are negotiated and received on the Framework contracts procured by the Hub.

- 3.4 Although there is information and guidance available on procurement, there is a need for the same on contract management.
- 3.5 The Procurement Officer reports to the Facilities and Asset Manager under whose remit procurement falls and provides support and advice to all parts of the Council including running procurement exercises up to contract award.
- 3.6 Whilst, there are good practices being observed and followed in some areas of the Council, it is inconsistent across the Council. It is important that procurement rules and procedures are observed and applied within the Council consistently. Some of the ways by which it can be achieved is set out in the following section.
- 3.7 **Good Practice.**
- 3.7.1 Procurement and contract management

**Project management**

Treat procurement as a project. Adopt a structured approach for all medium and high-risk projects. Involve procurement and other professional advisers from an early stage.

**Project organization**

Be clear about roles and responsibilities including members, senior managers and the project team. The project needs to be owned at senior level. Must be a dedicated project manager.

**Risk management**

The process of identifying, analysing and controlling risks throughout the project

**Procurement cycle.**

More than tendering, procurement is a cycle beginning with the identification of needs and a business case and continuing till the contract ends/end of the asset's life.

**Gateway review process**

Independent review of major procurement projects at key points in the cycle.

**Contract management**

Foundations are laid during the procurement process. Determine arrangements and involve contract manager at an early stage. Focus on benefits (outcomes).

**Supplier relationships**

Aim to build sound relationships with key suppliers as well as controlling the contract. Market the authority.

*Source: I&DeA*

### 3.7.2 Critical success factors: contract management

3.7.2.1 The critical success factors below are applicable to all services contracts and most of them will also apply to works/construction contracts as well.

- Requirements specified in comprehensive specification
- Involve the contract manager at the outset of the project
- Accurate understanding of the service requirement or works required
- Good supplier selection (although this is somewhat constrained by government procurement rules)
- Relationship built during procurement process and actively managed
- Clear roles and responsibilities
- Good knowledge of the contract
- Identification, allocation and management of risk
- Encouragement of continuous improvement
- Focus on realising the benefits identified in the business case (outcomes)
- Management of performance shortfalls
- Adequate tools to tackle poor performance
- Continuity of knowledge throughout the procurement cycle
- Control of change (variations)
- Robust financial control
- Exit strategy

*Source: I&DeA*

3.7.3 A number of actions that can be taken to improve procurement and bring about consistency across the Council are:

(i) **Guidance, Direction and Support**

- Each Director takes a strong lead in providing direction for compliance with corporate requirements.
- Review all checklists and document templates from a 'fit for purpose' perspective and amend or create new templates. There should be suite of standard templates thus minimising risk to the Council as minimum legal and regulatory requirements would be covered in the templates. This should fall within the remit of the Facilities and Asset Manager and the Procurement Officer support by Legal Services and overseen by Director of Resources.
- A guidance document together with a comprehensive checklist specifically designed for contract management should be drawn up for use by contract managers.

(ii) **Management of Contracts**

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*Source: I&DeA*

(iii) **Capital Projects Bids and the Delivery of the Capital Programme**

- The Council has an annual process for approving capital project bids. It is important that when bids are being put together that each bid is fully costed and allow adequate provision for professional fees and specific contract management resources and any contingency sums where appropriate. The bids should include whole life costings so that the ongoing revenue impact and cyclical maintenance requirements are identified at the outset.
- Essentially, there should a performance management process for the delivery of the capital programme. Good practice suggests that as minimum progress on the capital programme should be monitored on a quarterly basis through a Director led capital projects monitoring group where the progress of each approved capital project should be reported and monitored. This would highlight and pick up any financial issues or of performance at an early stage to allow any corrective actions to be taken. It would also provide a focus as the group would be chaired by a Director whereby any significant matter can be escalated and dealt within the Corporate Leadership Team (CLT) thus minimising delays.

(iv) **Actions already in place and new actions being implemented.**

- The Interim Director of Resources meets with the Procurement Officer on a fortnightly basis to keep an overview on the procurement activity in the Council. The Procurement Officer refers matters to seek direction and/or decision from the Director on a regular basis.
- The Interim Director of Resources is enforcing a policy of 'No Order No Payment'. The object of this policy is to ensure that purchasing officers in the Council raise an official order at the time they order goods or services. Invoices from the suppliers will have to have the order number quoted on them otherwise it will be sent back unpaid. The Financial and Contract Procedure Rules contain this requirement already and therefore the actions will ensure consistent observance and application of it across the Council.

#### **4. CONCLUSION**

- 4.1 Consistent good procurement and contract management practices aid in delivering the council's objectives and goals.
- 4.2 It important to ensure that oversight of the Council's capital programme occurs at a senior level in the Council whereby corrective actions and any issues can be dealt with minimum delay and that the capital programme delivery is tracked at least on a quarterly basis.
- 4.3 Operationally arrangements are already in place in respect the oversight on procurement activity and ensuring the observance in the organisation of the Financial and Contract Procedure Rules

#### **5. IMPACT ON CORPORATE GOALS**

- 5.1 The corporate goal of 'delivering good quality, cost effective and valued services'.

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – None arising directly from this report.
- (ii) **Impact on Equalities** – None arising directly from this report.
- (iii) **Impact on Risk** – Good and Best procurement and contract management practices minimise reputational risk to the Council.
- (iv) **Impact on Resources (financial)** – Good and Best procurement and contract management practices minimise financial risk to the Council.
- (v) **Impact on Resources (human)** – Procurement and contract management should be adequately resources either directly or through financial provision being made in the contract budget for expert advice as appropriate.

(vi) **Impact on the Environment** – None arising directly from this report.

Background Papers: None.

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