

AVDC'S APPROACH TO CONTRACT MANAGEMENT AND PROCUREMENT

1 Purpose

- 1.1 The purpose of this report is to inform Members on the approach taken by the Business Support and Enablement sector to manage procurement activities and contract management across the organisation.

2 Recommendations/for decision

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| 2.1 The Committee is asked to note the approach taken and identify any other information they would like reported to a future meeting. |
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3 Background

- 3.1 During the Commercial AVDC programme in 2016/17 a business review was undertaken to identify opportunities to deliver best practice in procurement and make recommendations for potential efficiencies across both the procurement and contract management functions for the council.
- 3.2 The analysis categorised all contracts by risk, value and opportunity, and identified strategic and tactical contracts that could deliver better quality services and/or cost efficiencies.
- 3.3 Additionally the output of the review made recommendations to: recruit a procurement and contract management specialist team, develop a consistent approach to procurement, implement a framework for effective contract management, develop training and upskill contract owners to ensure contracts were being delivered effectively and identify opportunities to reduce/amalgamate spend across the organisation. Typically with measures such as these in place around 2.5% - 5% of efficiencies and savings could be delivered over the life of all contracts (roughly 5 years).
- 3.4 In Autumn 2017 the centrally led expert team were created to govern the process. It was recognised that low value/ low risk contracts did not necessarily need to be led by this team, however the team would monitor and act as quality assurance to deliver the identified efficiencies.
- 3.5 The new Corporate Contracts and Procurement team was created with four members. Aligned with the investments and evolution of Connected Knowledge, the team is managed by Rafael Lima as the IT Procurement Specialist who supports all IT functions. The roles of procurement specialist, contract management specialist and procurement apprentice were also created to support all other categories.
- 3.6 The area's objectives are to enhance benefit/value from external service providers, achieve the budget commitment for contract savings, manage risks and ensure compliance with legislation and internal policies. A recent example of this is the Guide to the General Data Protection Regulation (GDPR) requirements, where all, even low value contracts, are being amended for compliance.
- 3.7 The new Contract Management practice is pro-actively acting on contracts up for renew, reviewing the scope with internal stakeholders and re-negotiating terms, ensuring exit and termination of contracts are managed, and that unnecessary expenditure and risks are mitigated.

- 3.8 Difficult supplier-contract relationships where the Council believes best value is not delivered are being closely monitored in a new Monthly Performance Review process. The collaborative approach invites both AVDC and the supplier to take actions on areas such as communication, fulfilment of contract and cost. With this approach we are already seeing improvements to internet connection (MLL) and the Finance System (Technology One). At this stage in the evolution of the team, the Monthly Contract Reviews are targeting contracts above £60k with participation of Contract Owners/Budget Holder to drive improvements in the service.
- 3.9 The Tender Exercise process is being standardised, to improve the reporting and outline the team's performance, a savings methodology was aligned with Strategic Finance. Circa £43,000 reduction in 2018's budget was achieved through the tender exercise for facilities cleaning and maintenance.
- 3.10 The specific focus at the moment is to improve cost-benefit obtained through tender exercises, amend existing contracts for GDPR compliance and embed procurement practices and procedures across the Council.
- 3.11 The Council's Contracts Procedure Rules states that procurement involvement is legitimately optional for values below £30,000. In these early stages the procurement team is focussing on renewals and tender exercises above this threshold. The lower value categories are being analysed and spend is being monitored monthly to identify opportunities to reduce costs or align into a contract.
- 3.12 In February, Topic Tasters sessions were delivered to managers to create awareness and a revised toolkit was launched with standard templates and up-to-date information on Connect. Training sessions are being delivered in April/May to instruct on best practices of purchases, review of procedure, negotiation and contracting.
- 3.13 Finally, a closer engagement with Commercial Strategy team has identified new ideas of how Procurement can cultivate partnerships for added value/income opportunities. Further implementation of contracts with built in pay backs terms and outsourced consultants acting on behalf of AVDC are projects in progress.

4 Supporting information










- 4.1 The Corporate Contracts and Procurement Team are also piloting a Quality Management System, where a series of Key Process Indicators (KPIs) were created to monitor the performance and identify continuous improvement.
- 4.2 The KPIs cover the areas of improvement highlighted in this report and provide quantitative and qualitative data to enhance the service delivery, help prioritisation, and provide the leadership a concise reporting dashboard. KPIs are attached as Appendix 1.

5 Options considered

- 5.1 Not to update the previous existing practices. However, this was not considered sufficient to meet the Council's obligations in relation to Best Value and result in the Council falling behind current procurement practices.

Contact Officer	Rafael Lima, Corporate Contracts and Procurement Manager (01296) 585248
Background Documents	None

Appendix 1 – Procurement KPIs

Area	KPI	Metric	Jan-18	Feb-18	Change	
Procurement	Spend w/ Contract	75% (↑)	37%	34%		Percentage of spend with contract
	Supplier Selection Quality	75% (↑)	86%	89%		12 month average of supplier scoring
Contract Management	Contract Register Completion	90% (↑)	73%	67%		Percentage of Contract Register completed
	Contract Mng Quality	75% (↑)	42%	66%		Average of AVDC scoring of key suppliers
	Expired Contracts	0 (↓)	15	15		Number of expired contracts
Performance	Risk Management	90% (↑)	0%	0%		Percentage of contracts compliant with Safeguarding, GDPR and H&S
	Cost reduction	£100k (↑) <i>(budget target)</i>	£44k	£54k		Accumulative 2018/19 budget reduction achieved to date
	Cost Avoidance	- (↑) <i>(no budget target)</i>	£422k	£422k		Accumulative 2018/19 potential cost increase reduction achieved to date
	Income	- (↑) <i>(no budget target)</i>	£0	£0		Percentage of spend with contract