



Report to Audit and Performance Committee

Report Title:	Future of Procurement Services Appendix: Contract Performance Report
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1. Purpose

- 1.1 This report briefs Committee on a review of the council's Procurement Services, outlining the recommendations and actions so far taken. The standing contract performance report has been incorporated into this agenda item.
- 1.2 Audit and Performance Committee is invited to:
- Note the progress of the review, its findings and recommendations and provide comment on areas for further attention that are of interest or concern to committee members
 - Comment on the matters raised relating to the contract performance report

2. Background

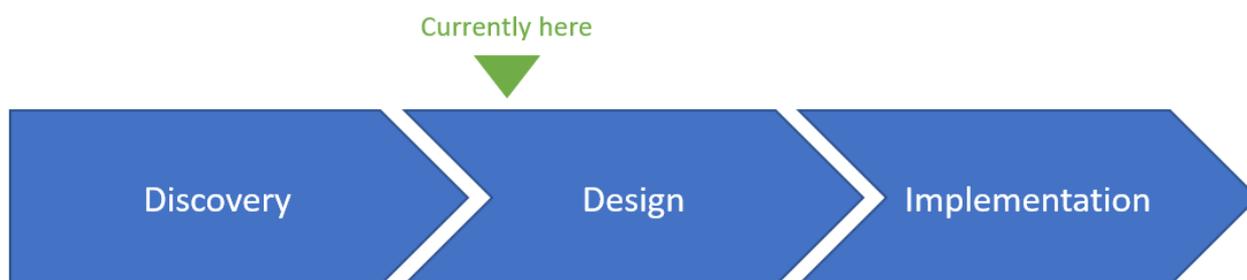
- 2.1 Procurement Services has transferred to the Director, City Highways, who has initiated a 'root and branch' review of the service area and the model for procurement as it currently operates across the council. The review will include a recommendation for the future organisational location of the service.
- 2.2 The service has a staffing establishment of around 30, around half of which are currently agency interim workers. It is structured as two teams – Category Management, which undertakes procurement activity, and Procurement Development, which provides governance, policy and systems support.
- 2.3 The review is being undertaken by a small team of external consultants, working closely with the Procurement Services team. Executive Leadership Team (ELT) has been presented with the initial findings of the review and has given a steer as to type of service the council requires from Procurement going forward. The Cabinet Member for Finance, Property and Regeneration and her Deputy have also been briefed on the work undertaken to date.
- 2.4 Audit and Performance Committee has historically received a report on contract performance generated from the council's contract management system. That report is appended to this paper. Given the strategic and fundamental nature of the review currently underway, the relevant Officers and Members are particularly keen that Committee be briefed on developments and has the opportunity to provide steer and comment.

3. Scope of Review

3.1 The scope of the review and subsequent change programme falls into five workstreams:

1. Target Operating Model
2. Strategy and Governance
3. Systems and Processes
4. Structure and Capabilities
5. Engagement, Communications and Culture

These workstreams proceed in parallel across three phases:



4. Discovery

- a. Discovery work took place between October and December. This included establishing the baseline for the service across a broad range of factors and implementing quick fixes where there were obvious opportunities for improvements.
- b. The key findings of the Discovery phase are set out below by workstream:

Target Operating Model

Strengths:

- Some areas of the council see enough value in procurement to pay for additional services
- The makings of a good contract management programme are in place – but this needs an injection of leadership and a change in organisational focus from compliance to adding value for the business

Areas for Consideration:

- The team has the appearance of a category management structure but there is no meaningful category management taking place
- Adults and Children’s services currently operate under different governance and processes to Place-based and Corporate services
- A key benefit of having a centralised procurement function is the ability to flex resource to meet organisational demand – but this is not happening as there is little to no collaboration across category teams
- Contract management programme has not gained enough traction to have a positive impact.
- The model for contract management in the organisation is unclear – Procurement Services manages a small selection of contracts for ICT and HR centrally but contract management is otherwise devolved (with no common framework to drive consistency and standards)

Strategy and Governance

Strengths:

- Good work has been done on social value, linked to the council's strategic priorities for the city

Areas for Consideration:

- There has historically been no single forward plan of procurement activity to allow resource planning or to give advance notice of potential opportunities to join up contracts
- There is no prioritisation of projects based on their contribution to Westminster's strategic priorities or the City for All vision
- Purpose and value of Procurement Assurance Board not clear to procurement team or its clients
- PAB and CoCo ostensibly perform parallel roles for different categories of expenditure but the terms of reference are not consistent – CoCo has a broader remit that looks at wider aspects of the commissioning cycle, while PAB is largely limited to assessing procurement route and contract award decision
- Standing Orders have been over-prescribed and limit flexibility, e.g. the price/quality weighting. This is leading to an artificially high number of 'self-inflicted' waivers (1 in 5).
- Depth of commercial analysis and strategic thinking to inform procurement approach is less developed than it should be given the scale and complexity of the organisation's purchasing

Systems and Data

Strengths:

- 96% of the council's third party expenditure is in amounts over £100k – this means that the council's spend is generally consolidated and concentrated rather than heavily fragmented
- Procurement is now making a positive and proactive contribution to the SAP IBC project

Areas for Consideration:

- There are no data flows from Capital E-sourcing to P2P systems, meaning that contract data is not linked to actual financial data
- The council's contracts register is substantially incomplete and does not align to its published expenditure – only 47% of spend can be matched to a contract, dropping to 4% for blocks of spend below £100k
- Intranet resources for internal customers are poor and not being used effectively to improve self-service and demand management

Structure and Capabilities

Strengths:

- The Category Management team is adequately resourced for demand - based on typical resource and productivity values, the team should have capacity for 102 projects at any one time and there are 103 currently underway
- The Procurement Development team is well resourced, which has allowed it to do some good work on policy issues such as Social Value and Modern Slavery.
- CIPS Centre of Excellence

Areas for Consideration:

- The service being delivered is reactive and addressing this requires changes not only to the Procurement team but to the council's overall model for commissioning and procurement
- Job descriptions are out of date (in some cases significantly)
- There is an inconsistency in use of pay grades that staff perceive as unfair
- There are obvious career pathways (e.g. from Assistant Category Manager to Category Manager) but staff feel that progression opportunities have not been open and transparent

Engagement, Development and Culture

Strengths:

- Our Voice results were relatively good – 66% engagement based on 76% response rate. This is up 10% from previous survey and consistent with Corporate Services overall.
- There is loyalty and attachment to the team and council – some interim staff have expressed a desire to become permanent and some permanent staff who have had job opportunities elsewhere have chosen to stay and see out the change
- There is an appetite for change and, on the whole, a strong desire to actively participate
- Ex-City West Homes procurement staff are keen to integrate to the central team

Areas for Consideration:

- There have historically been inconsistent management practices across the team
- There are pockets of cynicism about change – will things really be different this time?
- The team has had a number of senior management changes in short succession, which would be destabilising under any circumstances

Since the commencement of the review, a number of actions have been taken to improve performance and engagement. These include:

- i. Introduction of a Procurement Services Leadership Team
- ii. Single overview of procurement activity developed (Commercial Activities Register)
- iii. Introduction of 'gate 0' checkpoint for better visibility of incoming work
- iv. Baseline position established for resource and demand
- v. A transitional structure has been put in place, strengthening the support around each of the areas the team supports
- vi. Contract management programme refocused (less on compliance, more on adding value) with clear accountabilities within Procurement Services for taking it forward
- vii. Working groups established for staff to participate in the service transformation

5. Design

- 5.1 The initial findings of the review were presented to the ELT on 20th November.
- 5.2 ELT gave a clear steer as to the future model for the service, directing the team explore the benefits of moving from a category management model to a business partner approach, in line with the council's other support services such as HR and Finance.
- 5.3 ELT also asked that the focus of the team be on excellence in project delivery and transactional services and ensuring that the council's data on third party expenditure and contracts is well maintained and a reliable source of insight for the council's departments when developing market strategies. The Cabinet Member for Finance, Property and Regeneration is keen that the service retains and grows a strategic capability to add value to the council's priority activities.
- 5.4 The current programme of work to design and implement the new model is as follows:

	Discovery October – December	Design January - February March - April	Implementation May - June
Target Operating Model	<ul style="list-style-type: none"> • Analysis of as-is operating model • Agree high level operating model (ELT) • Cabinet Member sign off of next phase 	<ul style="list-style-type: none"> • Develop Target Operating Principles and measures • Complete functional design – Cabinet Member sign off • Complete detailed design 	
Strategy and Governance	<ul style="list-style-type: none"> • Review of governance, including Standing Orders and Procurement Code • Introduce workload management • Review of contract management 	<ul style="list-style-type: none"> • Embed forward planning and prioritisation process • Harmonisation of project governance (subject to ELT steer) • Design new contract management framework 	<ul style="list-style-type: none"> • Implement new contract management framework
Systems and Data	<ul style="list-style-type: none"> • High level third party spend analysis • Identify contracted spend gap 	<ul style="list-style-type: none"> • E-procurement system review • Development of intranet resources • Development of purchasing catalogues • Develop and agree KPIs and metrics for the service 	<ul style="list-style-type: none"> • Implement systems improvements
Structure and Capabilities	<ul style="list-style-type: none"> • Assess capacity and demand profile • Clarify budget position • Identify high performers and potentials 	<ul style="list-style-type: none"> • Functional model design • Identify skills gaps • Job descriptions – design and evaluation • Structure design 	<ul style="list-style-type: none"> • Staff consultation and restructure
Engagement, Development and Culture	<ul style="list-style-type: none"> • Establish new leadership team • Introductory 121s with all staff • All-staff away day – feed into review 	<ul style="list-style-type: none"> • Functional model – business engagement • Functional model – staff engagement • Structure – early staff engagement 	<ul style="list-style-type: none"> • Staff consultation and wellbeing support • Team rebuilding activities • Refresh personal development plans • Comms to wider organisation

Key

- Activity - complete
- Activity – underway / upcoming
- Milestone / decision

6. Contract Performance Data

6.1 Audit and Performance Committee has historically received a report on contract performance, which is appended to this report. There are a number of issues with the completeness and quality of this data and with the underlying methodology. These are:

- That only 47% of the council's third party spend has a contract record on Capital E-sourcing. This means that the report is providing less than half of the picture of how effectively the council is managing its spend.
- The report shows data for all contracts over £100k but does not highlight contracts of particularly high risk or that are critical to the delivery of the council's priorities. There are many degrees of financial value, strategic importance, risk and complexity not currently reflected in the report.
- The performance ratings are based on self-assessment against a system of measurement that has not been recently updated. There is little in the way of tools, guidance and training to create corporate consistency so the ratings are open to interpretation by individual contract managers. They are, at best, highly subjective and, at worst, necessarily prone to unconscious bias.
- The report content is compliance focused. There is some narrative provided on an exceptions basis for contracts that have been assessed as 'below expectations' or that have not been assessed, but there is nothing in the way of quality, overarching narrative to help Members understand how well the council is performing against cross-cutting themes.
- One contract on the system has not yet been rated in the most recent period. But this is for legal advice for a specific development scheme – the dimensions along which this type of service would be 'contract managed' are limited. It is not worth making

disproportionate effort to manage a contract for which the key measures are responsiveness and quality of advice.

6.2 One of the principles of the new operating model is a service that provides more complete, more meaningful insight for senior Officers and Members. This will inform better decision making, audit and scrutiny of the council's procurement activities, its commercial position in relation to key suppliers and markets and commercial risks and issues. With further work as part of the review and more cross-council collaboration, we can provide much better quality and more meaningful insight than this, including:

- Updates on contract performance against a more consistent, more evidence-based framework supported by a community of common practice and a process of peer review
- Updates on the council's contract management improvement programme to understand adoption of the new guidance, tools and training
- Scrutiny of cross-cutting themes such as how well the council, as a whole, manages contracts for business continuity, contingency planning, ethical standards, innovation
- Deep dives into high value, high risk and/or high profile contracts
- Reports on trends and developments in key markets with which the council does business. This would include topical industries and areas where Committee has particular interest or concern, such as construction or outsourcing.

6.3 The views of Audit and Performance Committee are welcomed on the proposed changes to way in which the council's contract management activities are measured, reported and scrutinised.

See also: Appendix to this report – Contract Performance Report