



## City of Westminster

<b>Meeting or Decision Maker:</b>	Audit and Performance Committee
<b>Date:</b>	5 September 2024
<b>Classification:</b>	The report is General Release however Appendix 1 will be declared exempt from publication as the business to be transacted involves the disclosure of information as prescribed by paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972, as amended, in that they contain information relating to the financial or business affairs of any particular person (including the authority) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
<b>Title:</b>	Contract and Supplier Performance Report 2023/24
<b>Wards Affected:</b>	All
<b>Policy Context:</b>	The Council spends over £700 million each year on third party services and contracts. Procurement, commercial activities, and contract management are therefore key enablers in ensuring the delivery of maximum value for Westminster and its residents and partners.
<b>Cabinet Member:</b>	N/A
<b>Key Decision:</b>	N/A
<b>Financial Summary:</b>	N/A
<b>Report of:</b>	Sarah Warman, Strategic Director Housing and Commercial Partnerships

## 1. Executive Summary

- 1.1 This report is the fourth annual review of contracts, covering the period 2023/24. Contractual performance is reviewed, using a set of operating principles based on National Audit Office good practice. The council's largest 55 major suppliers and contracts (Platinum and Silver), representing almost 75% of the councils' total third party spend, are generally performing well. The survey results show a relatively stable position for our main contractors but managing risk continues to be a priority.
- 1.2 This report also outlines the improvements to contract management via the refreshed Contract Management Framework (CMF) launched last November. Good contract management drives high quality service delivery, value for money and maximising outcomes for residents. The forthcoming Procurement Act also requires upskilling in contract management as it increases our obligations in this area, including publishing Key Performance Indicators (KPIs) for contracts valued at £5m or more procured under the new Act.
- 1.3 The CMF sets out a consistent contract management approach, proportionate to risk, with information and tools on how to leverage optimum contract performance at each stage of the contract management cycle. The CMF launch, attended by 150 officers in the Lord Mayor's Parlor and online, was given strong support by the Executive Director Finance & Resources and Strategic Director of Housing & Commercial Partnerships.
- 1.4 Day-to-day operational contract management continues to be undertaken by contract managers within the directorates, with support and guidance provided by a small team in Procurement and peer contract managers. Phase 2 of the CMF builds on the sound implementation of phase 1 to prepare us for the Procurement Act and improve further improve contract management.

## 2. Recommendations

- 2.1 It is recommended that the Committee note the contents of this report and provide feedback on whether it meets their needs, as well as suggesting any changes or additional content they would like to see in future reports.

## 3. Reasons for Decision

N/A

## 4. Contract Management Approach at WCC

- 4.1 As set out in last years' review, our work to improve our approach to contract management and roll out the refreshed CMF is based on three pillars:

### Getting the fundamentals right

Making sure we are getting what we contracted for

CMF Phase 1a

### Improving performance

Drive better performance and ensure services meet requirements

CMF Phase 1b

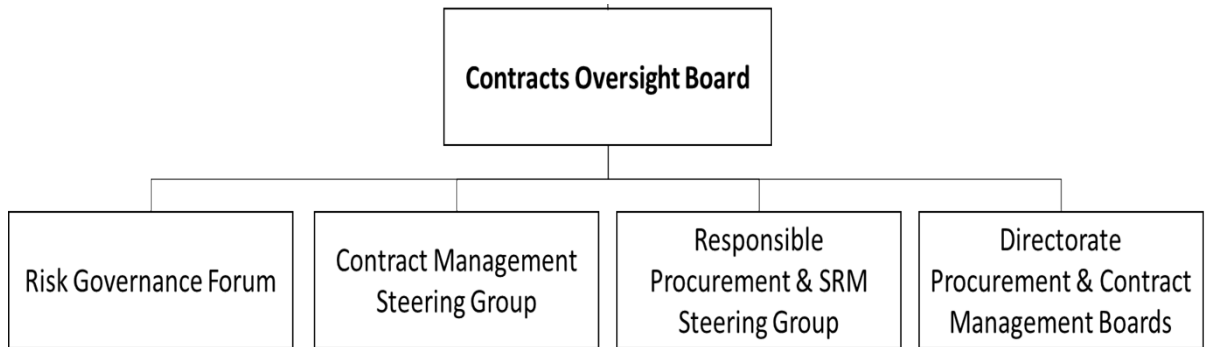
### Delivering greater benefits

To find financial benefits and increase social value

CMF Phase 2

## 1a - Getting the fundamentals right

- 4.2 This section outlines our approach to getting the fundamentals right with resources, requirements and support for contract managers.
- 4.3 **Resources** - A new contract management specialist joined the team in the autumn. The role is to ensure compliance with the CMF requirements and to support individuals and groups of contract managers with mitigating risk and help them ensure high quality supplier performance. In addition, two experienced contract managers support colleagues across the council, alongside their own corporate contract management responsibilities. A network of experienced contract managers has also been formed to guide approaches to contract management (via a steering group) and provide peer support.
- 4.4 **Contract fundamentals via Contract Management Framework** - Prior to the CMF launch, a Contract Manager Forum focused on the fundamental requirements of the refreshed CMF to thoroughly prepare contract managers for the new approach. These requirements include:
- Undertaking the 'Introduction to Contract Management' e-learning module, which covers key principles and enhanced sections on health and safety, safeguarding and responsible procurement. Over 120 contract managers have completed this training.
  - Signing up to 'Creditsafe', an online tool that monitors the financial stability of our suppliers. In July 2024 it was decided that all 300 contract managers will be given access to Creditsafe, to improve risk management.
  - Submitting a 'Contract Management Plan' which details contractual risk, finances, supplier performance, and responsible procurement delivery. Each plan is assessed, and follow-up meetings provide guidance for improvement. All platinum and silver contracts now have Contract Management Plans in place.
- 4.5 **Contract Management Forums** – Since the launch of the CMF, nine forums have been held, attended by between 70 and 100 contract managers. Topics for sessions have included rights and remedies (delivered by legal), Responsible Procurement, and risk management including cyber security. Contract managers have been proactive in sharing their challenges and expertise.
- 4.6 **Contract Management Hub** - An online 'Hub' was created to facilitate the launch of the refreshed framework, with resources, guides and templates covering all aspects of contract management.
- 4.7 **Governance** – In March a Contracts Oversight Board was set up to oversee the councils' contract management approaches and contract performance. This Board, which consists of Directors / Heads of Service with oversight over key contracts across the council, champions proactive and professional contract management and seeks to promote and embed good practice across the organisation. The governance structure is detailed overleaf:



### 1b - Improving performance

4.8 The second part of phase 1 includes the feedback mechanisms and support structures in place for contract managers, highlighting the tools and training designed to enhance supplier performance and risk management.

4.9 **Feedback and support** - The review of Contract Management Plans demonstrated areas for improvement with tailored training and forums developed as a result. Targeted team sessions have also been delivered to those managing contracts which support vulnerable residents, and those who manage contracts as just one part of their role, who may not have had contract management training before. One-on-one sessions are being conducted with contract managers to review submitted plans, with the Responsible Procurement team offering guidance on areas like carbon reduction, social value, and modern slavery.

4.10 **Contract Management Pioneer Programme (CMPP)** – This is a collaborative initiative involving government departments and the Local Government Association. The programme's goal is to train and accredit contract managers, enhancing their approach to contract management. The course, valued at £6,000, is free for contract managers. Contract managers must complete a 2-day Foundation course before advancing to the 15-module Practitioner-level training over 24 weeks. The first group of 15 staff is participating, with a new cohort planned for late 2024.

### 2 - Delivering greater benefits

4.11 We are moving onto Phase 2 of the CMF which aims to drive change based on data and evidence. The implementation of the new e-Contract Management solution in August is central to this, giving corporate oversight of contract and supplier performance. The new system will include:

- KPI reporting and obligations tracking – Commitments suppliers have made during tendering processes get translated into obligations monitored by contract managers via the system. KPI scorecards have been categorised into performance areas such as operational performance, resident/client feedback, responsible procurement, value for money and health & safety. The system also features scheduled supplier requests for KPI information, receipt and autoscoreing.

- Strategic supplier relationship management module - A scorecard has been created which converts the outcomes required for suppliers who have signed up to Westminster's Supplier Charter and Ethical Procurement Policy. The module will be used to track progress against these requirements with strategically important suppliers.
- Contract managers, Senior Responsible Officers and Directors within each department will be able to access dashboards to provide a visual overview of supplier performance across contracts they are responsible for. This allows for closer scrutiny of any contracts of concern or where increased risk management/ business continuity measures need to be put in place. Regular reports on supplier performance will also be shared with the Contracts Oversight Board.

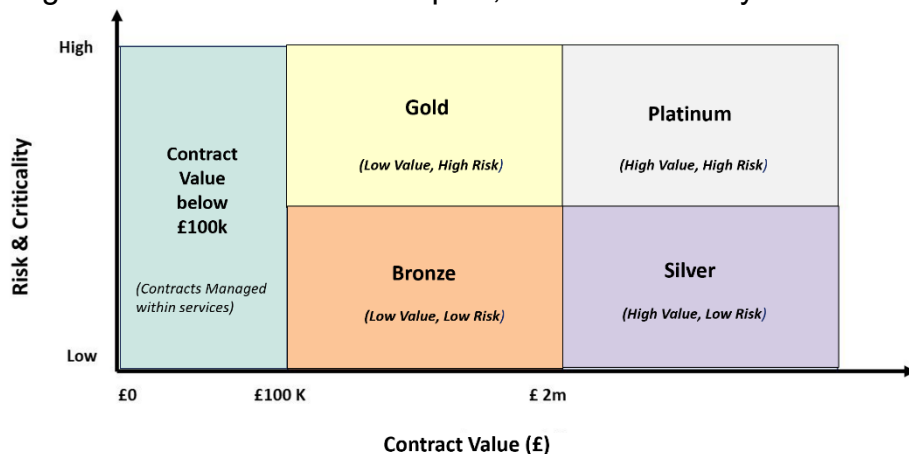
4.12 Over the next six months, contract managers will receive training specific to their area to promote adherence to compliance standards and proper utilisation of the contract management system.

4.13 Phase 2 includes additional guidance for the entire contract lifecycle, proactive business continuity strategies, and resident feedback. As highlighted in the Procurement update, resident engagement in procurement has been a focus this year, with a successful strategy involving residents in service co-design and advising on social value for regeneration projects. These local social value priorities are then articulated in tender documents, guiding bidders and proving effective in recent procurements. The team aims to enhance this method by incorporating ongoing feedback from resident panels into supplier performance monitoring.

## 5. Contract performance 2023/24

### Supplier Segmentation

5.1 In line with the current Contract Management Framework, supplier contracts are categorised into one of five groups according to value and risk. This guides the level and intensity of contract management required and ensures the council can allocate resources, skills and governance proportionately taking account of commercial impact, contract criticality and risk:



- 5.2 WCC's 2023-24 third party expenditure was £746m (£25K+ suppliers only) with the majority of the spend concentrated in the Platinum and Silver groups, where 74% of spend falls to 55 suppliers. (During the year, some contracts were reclassified, leading to an increase from the previous year's count of 44 Platinum and Silver contracts):

Classification	No. of suppliers	12 Months' Spend	% Share
Platinum	29	£439,872,980.70	59%
Silver	26	£111,621,216.78	15%
Gold	67	£37,967,464.26	5%
Bronze	280	£97,282,444.15	13%
Below £100K	692	£59,387,815.84	8%
<b>Grand Total</b>	<b>1094</b>	<b>£746,131,921.73</b>	<b>100%</b>

#### Results from survey of Platinum & Silver Supplier Contract Managers

- 5.3 Throughout 2023/24, contract managers completed four quarterly surveys to evaluate the performance and prospects of our 55 Platinum and Silver suppliers. The contract managers assessed their suppliers based on the quality of their service, and the table below consolidates the cumulative results across the four quarters of 2023/24:

Directorate	Good	Satisfactory	Poor	Unsatisfactory	Total
Adult Social Care & Health	33	21	3	2	59
Corporate Services		4			4
Environment & Communities	14	4	1		19
Finance & Resources	12	7	5		24
Housing & Commercial Partnerships	16	26	5	2	49
Regeneration Economy & Planning	12	14	1		27
<b>Grand Total</b>	<b>87</b>	<b>76</b>	<b>15</b>	<b>4</b>	<b>182</b>
%	<b>47.8%</b>	<b>41.8%</b>	<b>8.2%</b>	<b>2.2%</b>	<b>100%</b>

- 5.4 89% of suppliers are performing well or satisfactorily, and generally meeting standards. This has dropped from 96% achieved in 2022/23. This partly coincides with the new Contract Management Framework which asks contract managers to track the full range of supplier performance and monitor risks. The reasons for poor performance are individual to each contract but some of the themes include:
- Challenging mobilisation of a new contract
  - Introduction of new systems
  - Staff turnover / industrial action
  - Backlogs of work
- 5.5 Within the responses provided across the quarterly surveys, four of the council's key suppliers were rated as Poor or Unsatisfactory in their day-to-

day operational performance across more than one quarter. Information on each of these is given in Appendix 1 (restricted document).

- 5.6 In Quarter 4 of 2023/24, contract managers assessed their suppliers' performance as mostly stable. Seven suppliers were rated as 'Improving' for the upcoming quarter. One supplier, already rated poorly, was at risk of declining services, but the contract ended in the first quarter of 2024/25.

### Risk Management

- 5.7 The Risk Governance forum has continued to focus on the risk of supplier financial insolvency using tools such as CreditSafe, and our own monitoring tools. The forum also considered enhanced approaches to:
- Health and safety – new guidance was issued by the Corporate Health and Safety team for contract managers.
  - Safeguarding – for those contracts involving residents, particularly vulnerable residents.
  - Cyber security – the cyber team presented twice to the Contract Managers Forum on emerging cyber risks.
- 5.8 During 2023-24, only a handful of suppliers were flagged to be at potential risk, mainly due to them not reporting their annual statements to Companies House on time. Whenever a supplier is flagged as a risk, we contact the contract manager to further understand and provide support to help mitigate the risk.
- 5.9 In April 2024, one of the council's key contractors, Geoffrey Osborne, went into administration suddenly. While the impact of this has been managed, we have reviewed our overall approach to supplier risk. A contingency plan is being put in place for every platinum contract in the event of supplier failure. This includes conducting thorough research on potential alternative providers and, in some instances, procuring contingency contracts. These services can operate alongside current providers and will be activated in scenarios where demand increases or supplier capacity diminishes, when suppliers are deemed high-risk for financial or other failures, or when existing performance consistently raises concerns.
- 5.10 We are also exploring additional tools to flag supplier/sector risk. Further guidance for contract managers is being prepared alongside a Contract Managers Forum on risk management held in June with another scheduled for September.

### Responsible Procurement and Commissioning

- 5.11 Since the Responsible Procurement and Commissioning (RPC) Strategy was introduced in April 2023, it has been thoroughly integrated into the sourcing process, in terms and conditions, and into the CMF and related activities, and is the focus of the council's renewed approach to Supplier Relationship Management. A comprehensive progress report on the RPC implementation, featuring lessons learned and case studies, is available for review.

- 5.12 Nearly half of the suppliers by expenditure have now pledged to adhere to the council's Supplier Charter and Ethical Procurement Policy. This is a good demonstration of our suppliers' commitment to responsible business practices. We recognise the need for improved confidential communication with contractors and secondary suppliers, including SMEs, to ensure fair compensation and prompt payments which will form part of Phase 2.
- 5.13 We are working closely with contract managers to help elicit maximum Responsible Procurement benefits from our existing contracts. Contract Management Plan submissions have provided clarity on each supplier's commitments, and Procurement has shared guidance on how to support suppliers with delivery. We provide direct technical support to contract managers and suppliers on aspects such as carbon reduction, modern slavery, due diligence and social value delivery alongside the Responsible Economy team.
- 5.14 Responsible Economy, which includes the Social Value team, Responsible Business team (including the Community Investment Portfolio) and Westminster Employment Service, continue to strengthen relationships with strategic suppliers to facilitate the delivery of social value offered during tendering exercises. They broker opportunities to provide volunteering hours, resources and/or donations to local VCSE organisations, and have job-ready Westminster residents lined up for employment, skills and training opportunities offered by suppliers. The Responsible Procurement team contributed to the second Social Value Year End Report (23/24), which demonstrates the depth and breadth of the impact our suppliers make within our communities. Headlines from the report include:
- £12m in wages to Westminster residents
  - 467 Westminster residents securing work and apprenticeships
  - 16,906 volunteering hours contributed to Westminster communities
  - 80 community groups and schools supported each year
  - £1.25m in Section 106 contributions from developers
  - £653,219 fundraising and sponsorship towards local community projects
- 5.15 The council's third [Modern Slavery Statement \(2023/24\)](#) was published on 5 July this year and shows the council's leadership in due diligence procedures to prevent modern slavery in supply chains. The Council's activities were baselined against the Home Office tool for local authorities and our score (314/400) places us in the upper quartile; making WCC 'Leaders' in this complex discipline.
- 5.16 The 'Leader' status was achieved by improving our procurement process to address modern slavery. This involved creating toolkits for procurement staff and adding modern slavery considerations into tendering. Consequently, 93% of high-risk tenders over £100,000 now undergo modern slavery checks. We have started engaging with key suppliers to develop action plans against modern slavery. Our efforts, including the formation of a working group on



modern slavery, were recognised by the London Responsible Procurement Network.

- 5.17 This year has also seen the start of the council's first Supplier Relationship Management (SRM) programme, designed to foster new communication channels and pinpoint mutual enhancements for both the council and suppliers. With our key strategic suppliers, we will develop comprehensive action plans with responsibilities assigned to both parties. The initial focus has been on responsible procurement as this Fairer Westminster priority area offers widespread potential for improvement across all contracts.
- 5.18 SRM meetings so far have concentrated on modern slavery within high-risk sectors and carbon reduction for carbon-intensive contracts. Most suppliers are open about their strengths and weaknesses and show a keen interest in improvement. Progress with suppliers is then reported to the Responsible Procurement & Supplier Relationship Management Steering Group.

## **6. Key actions and next steps**

- 6.1 The following actions will take place in the final two quarters of 2024/25:
- Phase 2 of Contract Management Framework has commenced and will continue to April 2025
  - KPI training for the new e-Contract Management system from August 2024 to March 2025
  - Peer reviews scheduled in for all platinum contracts one third of the way through the contract term
  - Continued face-to-face and hybrid training for teams across the council
  - Pilot new KPI contract management reporting for full roll out by April 2025.
  - Launch of the Strategic Supplier Relationship Strategy – a pilot is already in place, with several strategic suppliers engaged and an initial focus on enhancing responsible procurement outcomes and collaborating on innovative projects to achieve additional value.

## **7. Financial Implications**

- 7.1 There are no financial implications associated with this report.

## **8. Legal Implications**

- 8.1 The Procurement Act 2023 will place new obligations on the Council from 28 October 2024. There is a new requirement to publish and monitor KPIs for certain contracts (as specified in paragraph 1.2 of this report), to publish notices where there is poor performance from a supplier, and to publish payment compliance notices, amongst other matters. Legal Services may advise on the implementation of the new provisions.

## **9. Carbon Impact**

- 9.1 Scope 1 emissions are being reduced by electrifying the internal fleet through a partnership with the leased vehicle contractor, involving departmental engagement, demo vehicles for viability, and a 'fuel hierarchy' that prefers electric vehicles. Negotiations have been made to switch leased vehicles to electric models before the lease ends without incurring termination fees.
- 9.2 The team is addressing Scope 3 emissions by embedding sustainability and carbon reduction criteria into contracts exceeding £100,000 and is collaborating with suppliers through the Supplier Relationship Management program to spotlight and mitigate carbon-intensive aspects of contracts, seeking alternative, lower carbon solutions.

## **10. Equalities Impact**

- 10.1 N/A - report is for information only.

## **11. Consultation**

- 11.1 N/A - report is for information only.

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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## **Appendices - Confidential**

- Appendix 1: Details of contracts rated unsatisfactory in performance.