

2 July 2018

Nigel Dennis
Chairman of the Regulation Audit & Accounts Committee

BY EMAIL

Dear Nigel,

Thank you for your letter dated 9 April 2018 with regard the Contract Management Task and Finish Group (TFG). Through the letter you requested the TFG look at whether lessons have been learned from the Carillion collapse and the Capita profit warning; and that these are taken into consideration to improve future contract processes.

The TFG has held 3 meetings and is scheduled to report its findings and recommendations to the Performance and Finance Select Committee (PFSC) on 9 July 2018. The full report being presented to the Committee can be found by following this link <http://www2.westsussex.gov.uk/ds/cttee/pf/pf090718age.pdf>

The Group has received a lot of evidence from officers in terms of the lessons learnt and the actions taken to improve contract management in future. These include:-

- Increasing the frequency of financial health-checks
 - At least once a year finance officers to complete a detailed assessment for the top 20 suppliers and other critical suppliers,
 - On-going review of about 85 suppliers being monitored through an active alert system
 - Financial assessment and health-checks undertaken if extending or amending a contract
- Expanding financial due diligence review to cover
 - Known key suppliers in the supply-chain
 - Known small but critical suppliers integral to the County's operations
 - Utilising cross-functional audit team to review suppliers and sub-contractors
- Enhancing contract management capability as part of the new future procurement and contract management function
 - Engaging contract managers in strategic supplier reviews to ensure best value and performance is being achieved
 - Implementing a corporate assurance and central view through standardising contract management activity

- Increased investment in the procurement function which will enhance procedures to monitor contract and supplier risks.

The TFG is therefore satisfied that action has been taken to improve procedures following the issues around Carillion and Capita. They are also satisfied that the new operating model which is being proposed will improve systems and procedures. This will be dependent on the full implementation of the proposed model and recognising that staff skills and capabilities are key to the success of the new structure. To improve the governance and scrutiny arrangements around contracts the TFG has recommended that members are more involved with contracts through the select committee Business Planning Groups regularly reviewing contract data in relation to key contracts within their area of responsibility. This will be developed as the new operating model is implemented.

The TFG will also be reconvening in 12 months to review how the TFG recommendations and the new operating model have been acted upon and embedded into the contract management process. This is in order to monitor the progress being made to improve contract management across the Council.

I hope this provides you and the Committee with reassurance that contract management procedures are being improved across the Council. If you have any questions please do come back to me.

Yours sincerely,

Roger Elkins

Roger Elkins
Chairman - Contracts Management Task and Finish Group