

North Lanarkshire Council

Report

Council

Does this report require to be approved?

☒ Yes ☐ No

☒ approval ☐ noting

Ref KA/Council/Mar24

Date 28/03/24

Internal Audit report - Enterprise Project: Housing and Corporate Property Procurement

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Executive Summary

The purpose of this report is to provide members with the results of Internal Audit's recent work updating earlier assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements.

This work was designed to provide assurance on the procurement of the housing and corporate maintenance contract and considered whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice. In line with previous commitments provided to members, the review also considered, whether or not, reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council.

The relevant Internal Audit work has now been completed and the Internal Audit report produced is at Appendix 1. The report findings and conclusions are generally positive, although Internal Audit have made a number of recommendations primarily relating to actions required by management during the mobilisation and early-implementation stages of any new contractual arrangements.

As regards the project management arrangements in place for this procurement exercise, as with the results of previous reviews, Internal Audit are satisfied that the project has continued to be managed in line with corporate expectations.

As regards best value, Internal Audit has reported that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract.

Overall, Internal Audit considers that the assessment of best value provided to elected members by management, and the rationale behind this assessment, appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.

Recommendations

The Council is requested to:

- (a) note the results of Internal Audit's work as reported in the attached Internal Audit report;
- (b) agree that the Internal Audit report be submitted to the next meeting of the Audit and Scrutiny Panel in line with the agreed Internal Audit reporting protocol; and
- (c) request that Internal Audit review progress made by management implementing actions agreed in response to Internal Audit's recommendations and report the results to subsequent meetings of the Audit and Scrutiny Panel.

The Plan for North Lanarkshire

Priority All priorities

Ambition statement All ambition statements

1. Background

- 1.1 The purpose of this report is to provide members with the results of Internal Audit's recent work updating earlier assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements.
- 1.2 This work was designed to provide assurance on the procurement of the housing and corporate maintenance contract and considered whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice. In line with previous commitments provided to members, the review also considered, whether or not, reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council.
- 1.3 Internal Audit work on the Enterprise Project was included in the 2023-24 Annual Plan approved by the Audit and Scrutiny Panel in May 2023. The Internal Audit Charter, most recently approved by the Panel in September 2021, requires that the results of Internal Audit's work be periodically reported to the Panel.
- 1.4 In view of the importance of elected members having access to all relevant information to assist their decision-making, after consultation with the Convener of the Audit and Scrutiny Panel, the Chief Officer (Audit and Risk) agreed with the Chief Executive that the attached report should be submitted directly to the Council meeting considering the Enterprise Project contract award prior to subsequently also being reported to the next scheduled meeting of the Audit and Scrutiny Panel in line with normal reporting arrangements.

2. Report

- 2.1 The relevant Internal Audit work has now been completed and the report produced is at Appendix 1.
- 2.2 The report findings and conclusions are generally positive, although a number of recommendations have been made by Internal Audit relating to actions required by management primarily during the mobilisation and early-implementation stages of any new contractual arrangements. Satisfactory management responses, including planned actions, timescales and responsible officers have been received in respect of the audit recommendations made.

- 2.3 As regards the project management arrangements in place for this procurement exercise, as with previous reviews, Internal Audit are satisfied that the project has continued to be managed in line with corporate expectations.
- 2.4 As regards whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council, Internal Audit notes that competition is widely recognised as the best way to demonstrate best value in any procurement exercise and despite the Council's best efforts, this has not occurred in relation to the housing and corporate maintenance contract element of the project. Internal Audit considers, however, that the absence of competition makes demonstrating that the proposed outcome represents/delivers best value more challenging, but not impossible.
- 2.5 Internal Audit notes that throughout the procurement exercise, the Project Board recognised the challenges presented by the single bidder scenario/lack of competition and acknowledged the need to take steps to be able to ensure that any recommended outcome delivers best value and to be able to demonstrate that to elected members.
- 2.6 Our detailed findings in relation to actions taken by management to address and mitigate risk surrounding the need to demonstrate/secure best value are at Section 5 of the Internal Audit report. Section 6 of the Internal Audit report provides Internal Audit's assessment of how management have communicated to elected members on the outcome of their actions and their assessment of whether the proposed outcome represents best value to the Council.
- 2.7 Internal Audit can report that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract.
- 2.8 Overall, Internal Audit considers that management's assessment of best value provided to elected members, and the rationale behind this assessment, appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.
- 2.9 Internal Audit will, in line with normal arrangements, monitor progress made by management implementing actions agreed in response to audit recommendations and report the results of this work to the Audit and Scrutiny Panel.

3. Measures of success

- 3.1 Internal Audit reports annually on its performance to the Audit and Scrutiny Panel and is also subject to review annually by the Council's appointed external auditors.

4. Supporting documentation

Appendix 1 Internal Audit report - Enterprise Project: Housing and Corporate Property Procurement



Ken Adamson, Chief Officer (Audit and Risk)

5. Impacts (<http://connect/report-template-guidance>)

5.1	Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact because of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.2	Financial impact Does the report contain any financial impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.3	HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.4	Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.5	Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.6	Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.7	Environmental / Carbon impact Does the report / project / practice contain information that has an impact on any environmental or carbon matters? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.8	Communications impact Does the report contain any information that has an impact on the council's communications activities? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.9	Risk impact Is there a risk impact? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.10	Armed Forces Covenant Duty Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5.11	Children's rights and wellbeing impact Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>



INTERNAL AUDIT REPORT

ENTERPRISE PROJECT: HOUSING AND CORPORATE PROPERTY PROCUREMENT

Contents

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Appendix 2 – Best Value Good Practice Aspects – key questions		
Issued to: Depute Chief Executive, Chief Officer (Asset and Procurement) Copied to: Commercial Contract Manager and (once finalised) Chief Executive		

Headlines

The purpose of this review was to update earlier Internal Audit assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements. This work was designed to provide assurance specifically on the procurement of the housing and corporate maintenance contract and considered the following key aspects:

- Whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice?
- In relation to the housing and corporate maintenance contract, whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council?

As regards the project management arrangements in place, as with previous Internal Audit reviews in this area, we are satisfied that the governance arrangements in place are adequate and appear robust, and that the project is being managed in line with corporate expectations in a manner consistent with good practice.

As regards whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council, Internal Audit considers that while competition is widely recognised as the best way to demonstrate value best value in any procurement exercise (and despite the Council's best efforts, this has not occurred in relation to the housing and corporate maintenance contract element of the project), the absence of competition makes demonstrating that the proposed outcome represents/delivers best value more challenging but not impossible.

Internal Audit highlighted that throughout the procurement exercise, the Project Team recognised the challenges presented by the single bidder scenario/lack of competition and acknowledged the need to take steps to be able to ensure that any recommended outcome delivers best value and to be able to demonstrate that to elected members.

Our findings in relation to actions taken by management to address and mitigate risk surrounding the need to demonstrate/secure best value are detailed at Section 5 of this report. Section 6 provides a brief conclusion on how management have communicated to elected members on the outcome of their actions and their assessment of whether the proposed outcome represents best value.

We noted that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract. Overall, we consider that management's assessment of best value, and the rationale behind this assessment, provided to elected members appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.

The Internal Audit report also contains an action plan at Section 7, with audit recommendations focused primarily on issues/management arrangements requiring to be addressed following any contract award.

Report status	FINAL	Audit ref	0550/2024/001	Date issued	20/02/24
Audit Team	Lesley Armstrong and Paula Hendry				

1 Objectives

- 1.1 The purpose of this review was to update earlier assessments of the adequacy and effectiveness of the Enterprise Project's governance arrangements. This work was designed to provide assurance on the procurement of the housing and corporate maintenance contract and considered the following key aspects:
 - Whether or not the project has continued to be managed in line with corporate expectations and in a manner consistent with good practice?
 - In relation to the housing and corporate maintenance contract, whether or not, reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council?
- 1.2 The arrangements for managing the project were assessed against corporate project management expectations and a good practice checklist prepared by Internal Audit, based on a range of sources including the National Audit Office, HM Treasury and the Cabinet Office infrastructure and Projects Authority.
- 1.3 With regards the assessment of how management have sought to secure and be able to demonstrate best value, we considered the adequacy and effectiveness of how the Project Board/Team have sought to mitigate risks associated with the single bidder scenario. This included a detailed assessment of work undertaken by management in areas such as benchmarking, transparent pricing, and the development of costing models against which bidder's costs/prices can be assessed. The review focused on these aspects of the tender evaluation, which were unique to the single bidder scenario and excluded other aspects, such as the quality evaluation, which were not. We have also considered how management has communicated to decision-makers their assessment of the extent to which the proposed course of action represents best value.
- 1.4 This engagement has been conducted in accordance with the '*Public Sector Internal Audit Standards*'. The Internal Audit section reports formally on conformance with these standards to the Audit and Scrutiny Panel.

2 Background

- 2.1 In its previous form, the Enterprise Strategic Commercial Partnership (ESCP) was a significant, complex, and challenging project and formed an important part of the Council's programme of work and ambitions. Despite significant positive pre-procurement market engagement, the advertised opportunity failed to attract sufficient interest to enable the ESCP to proceed and in June 2021 the Project Board decided to discontinue the procurement.
- 2.2 The Project Board recognised, however, that the ambition of the project remained valid and agreed that a revised delivery model should be developed. In September 2021, the Project Board agreed a revised delivery model, renamed the Enterprise Project which was expected to consist of a blend of in-house delivery whilst continuing to deliver services through a small number of third-party contracts. The project was intended to deliver similar outcomes (over comparable timescales) as the ESCP by creating focused strategic relationships with a small number of private sector providers and developing an 'intelligent client' function, building on internal commercial capacity and capability. The Policy and Strategy Committee approved this delivery model in December 2021, at which time the commencement of various procurements, including the housing and corporate maintenance contract, was also approved.
- 2.3 The procurement exercise for the housing and corporate maintenance contract commenced in June 2022, however despite comprehensive and positive pre-procurement market engagement, only one request to participate in the procurement was received. An update report to Policy and Strategy in December 2022 advised that the Project Board had agreed that, in the circumstances, the procurement should progress with one bidder to the initial tender submission and review stage, and, in parallel, a re-validation exercise of the original options appraisal should be undertaken.

2 Background (continued)

- 2.4 An update provided to Council in August 2023 reported the outcome of the re-validation exercise referenced above. The report set out details of the six shortlisted options together with an assessment of each option and advised that the two potential delivery options which scored significantly better than others were Option 3 (an outsourced option that reflected the current live procurement for a single Housing and Corporate Maintenance and Improvement Services contract – not a joint venture) and Option 4 (a Council owned ALEO with elements of insource and outsource delivery). The report further advised that whilst both options had associated risks, Option 4 had several additional and potentially significant unknowns and comparatively greater risk in terms of transition and delivery costs and in potential risk to service delivery continuity and, as a result, Option 3 had been assessed as the delivery option that best met the project objectives.
- 2.5 In respect of this the Council agreed:
- that following the outcome of the options revalidation exercise, along with the practical considerations and associated risks, that Option 3 (continue with the current procurement exercise), was the delivery option that would best meet the project objectives;
 - that consideration be given, before the end of the initial term of the proposed contract, to the development of an outline business case which will investigate the feasibility of alternate service delivery models, including the feasibility of an ALEO, which would inform the Council's decision to extend the proposed contract, beyond its initial term or to progress an alternative model; and
 - that the current procurement exercise proceeds to a conclusion.
- 2.6 This report also detailed the results of the assessment of the bidder's ITN (Invitation to Negotiate) submission, associated financial implications and expected benefits of the proposed contract. In recognition of the absence of competition in the procurement process, given the single bidder situation, the proposed measures and mitigations in place to allow the Council to evidence that any outcomes achieved through progressing the procurement with a single bidder represent best value were also detailed. The report stated that to enable the Council to objectively evidence that continuing with the procurement with a single bidder represents best value, the following measures were to be incorporated into the procurement and assessment process: external/internal benchmarking (to the extent possible) to validate costs:
- the adoption of transparent pricing and other mechanisms (open book);
 - the development of a 'Shadow'/'Should Cost' model;
 - a reduction in the scope of work which is to be granted on an exclusive basis to the service provider;
 - increasing the requirement for the service provider to demonstrate value for money over the contract term for non-exclusive work; and
 - the Council prescribing the procurement policy terms for advertising quotations and subcontracting.
- 2.8 Approval to proceed on that basis was given and the housing and corporate maintenance procurement has now progressed to final tender stage. It is currently expected that Council will be asked to approve the award of the contract in February 2024 with services under the new contractual arrangements targeted to commence on 1 April 2024.

3 Previous Internal Audit Work

- 3.1 We have previously reported on the Enterprise Project (or its previous incarnations) on three separate occasions.
- 3.2 In March 2020 we reported on our review of the adequacy and effectiveness of the Council's arrangements in respect of ESCP. The audit work undertaken recognised that the ESCP was a project of considerable potential scale, complexity, uncertainty, which presented significant risks and challenges that required to be effectively managed and at that time was at a relatively early stage and, therefore, the scope of this review was limited to reviewing the programme's current governance arrangements against corporate expectations and good practice.
- 3.3 We categorised that audit as offering '*reasonable assurance*' and were satisfied that the governance arrangements then in place to progress the ESCP were adequate, and appeared robust, and considered that the project was being managed in line with the council's project management guidance and in a manner consistent with good practice. We were also satisfied that the Project Board in place appeared effective in providing oversight, challenge and direction and that financial control and risk management appeared appropriately embedded in the governance of the project. We identified one area where we considered that scope for improvement existed, which related to the need for the potential scale and complexity of whatever the Council may decide to proceed with following consideration of the OBC to be fully reflected in future governance arrangements.
- 3.4 In March 2021, we again reviewed the adequacy and effectiveness of the Council's governance arrangements in respect of progressing the ESCP and managing associated key risks using the same good practice toolkit as used in the March 2020 exercise above. A '*reasonable assurance*' audit opinion was again given, as we remained satisfied that the governance arrangements in place were adequate, appeared robust and that the project was being managed in line with the Council's expected project management arrangements and in a manner consistent with good practice.
- 3.5 We did identify several areas of uncertainty at that stage, particularly around how any Partnership would look and operate which had meant that, at that time, there has been limited progress on benefits management. We also noted that work continued to develop the 'Intelligent Client' function which would comprise the oversight and assurance role within the Council to manage the relationship with any Partnership and which would specify the outcome requirements and be responsible for monitoring performance to ensure that the required outcomes and standards of performance were achieved. At that time, we did not make any specific recommendations regarding these areas as we were satisfied that the Project Board appeared aware of the significant level of risk and uncertainty in these areas and had put in place appropriate arrangements to manage these. We highlighted however that it was important that, given the scale and complexity of the ESCP, the Project Board continued to ensure that the risks associated with these areas were fully understood and effectively managed in line with expected timescales. We also identified a small number of other areas where we considered that scope for improvement existed including the need to establish a more formal process for monitoring, managing, and updating the project risk registers.
- 3.6 In May 2022, we reported on the Enterprise Project and considered the adequacy and effectiveness of the management arrangements in place at that time, including the extent to which key elements of good project management, risk management and financial controls were in place. We again provided a '*reasonable assurance*' audit opinion as we were satisfied that the governance arrangements in place at that time were adequate and appeared robust, and that the project was being managed in line with corporate expectations in a manner consistent with good practice. Financial control and risk management also appeared appropriately embedded in the governance of the project.

3 Previous Internal Audit Work (continued)

- 3.7 Despite our positive overall assessment of the project's governance arrangements, we recognised, given the outcome of the ESCP procurement exercise, the scale of the Enterprise Project and the level of uncertainty around the market, that there remained a high level of risk to the successful delivery of the project, primarily due to potential issues around market failure and affordability. The Project Team and Project Board recognised that market appetite remained a significant risk and continued to take action to try to mitigate this risk, through extensive market engagement and research. We also recognised that affordability would also be considered as part of the process of considering market responses to the Council's proposals.
- 3.8 Although the outcome of recent market engagement, at the time of that audit, did appear to indicate that the revised delivery model was more commercially attractive to potential bidders than the previous ESCP proposals, it was also recognised that there were limited markets/potential respondents for each of the two main activities for which bids were being sought and that current economic and general market volatility increased the risks of insufficient tender responses and/or tender responses which were not financially attractive. We commented at that time that we considered it was vital therefore that formal contingency plans were developed in response to the potential inability of the Council to be able to progress with part or all the proposed project.

4 Control objective 1: Adequacy and effectiveness of project management arrangements

Work Undertaken

- 4.1 Our work under this objective reflected on the status of the project and considered the adequacy and effectiveness of the management arrangements in place, including the extent to which key elements of good project management, risk management and financial controls are in place. As with previous exercises, we have undertaken an assessment of the current project governance arrangements against corporate expectations and a good practice checklist prepared from a range of sources including the National Audit Office and HM Treasury (see checklist at Appendix 1).

Key Findings - Good Practice

- 4.2 As with previous internal audit reviews in this area (see section 3 above), we are satisfied that the governance arrangements in place surrounding this project are adequate and appear robust, and that the project is being managed in line with corporate expectations in a manner consistent with good practice.
- 4.3 Specific areas of good practice identified include:
- the Enterprise Project has an appropriate and effective governance structure. There is a Project Board with a written terms of reference which clearly defines the responsibilities of Board members. The Project Board is chaired by the Chief Officer (Asset and Procurement), who is the Senior Responsible Officer (SRO), and membership includes relevant Chief Officers and senior officers, ensuring that it has the knowledge and authority to make decisions and provide the necessary resources to support the delivery of the Enterprise Project;
 - there is a detailed project plan in place which sets out the key tasks required to progress the project, together with information on durations, target completion timescales and percentage completion. Critical path activities are clearly identified on the project plan, and these are a focus of reporting to the Project Board to ensure it is kept up to date with progress, that any required decisions are made at the right time and to drive the project forward at the correct pace;

4 Control objective 1: Adequacy and effectiveness of project management arrangements (continued)

Key Findings - Good Practice (continued)

- a risk register, which identifies likely and foreseeable risks, is in place and details the impact and likelihood of each risk, the existing controls and mitigation in place, and any planned actions required to further mitigate the risk; and
- the services of external advisors have been procured to provide relevant specialist advice and expertise (where this is not available internally within the Council) to support the progression and successful implementation of the Enterprise Project. Funding for these external advisors has been secured for the Enterprise Project and the Project Board are provided with a financial update at each meeting.

4.4 The Project Board meets regularly, and the minutes of these meetings confirm that it appears effective in providing appropriate oversight, challenge, and direction. For the period under review during this audit, we were pleased to note that the Project Team have presented clear and transparent information regarding the procurement and assessment process, enabling the Project Board to make informed decisions at pertinent stages to ensure that the actions identified in the Council report to mitigate the risks within a single bidder scenario are being progressed and fully and properly considered.

Key Findings - Issues Arising

- 4.5 The Project Team, during this procurement phase, have ensured that the contract contains various clauses in relation to the expectations for monitoring and managing the contract (including performance, benchmarking, procurement engagement processes, etc), to ensure that best value is continually demonstrated during the life of the contract. At this time, detailed contract monitoring arrangements have yet to be established. Internal Audit considers that it is important that management ensures that appropriate and robust contract management arrangements are implemented to ensure that all contractual commitments are delivered.
- 4.6 Work in relation to internal changes required because of the new contract, is currently underway, albeit at an early stage. We understand that details relating to the Intelligent Client function are being discussed by Chief Officers to agree and allocate responsibility for specific tasks relating to the management and monitoring of the contract after the award. This work remains ongoing but at this stage, Internal Audit considers that greater clarity on expected Intelligent Client arrangements is urgently required, especially given the short timescale between contract award and the contract going live.
- 4.7 A Contract Mobilisation Group has been established to ensure the smooth transition of the old contract to the new contract and that all performance, engagement, IT, and financial issues have been considered and actions taken in advance of the new contract going live. Activity in this area is ongoing and includes a variety of processes and tasks which need to be finalised and implemented to ensure effective control and monitoring of the new contract. From our review of the programme, we consider that appropriate tasks have been included, however, significant work is needed to ensure that the identified tasks are progressed in line with the stated timescales. Internal Audit considers that failure to complete the identified contract mobilisation tasks in an appropriate and timely manner may create a significant risk that aspects of current arrangements simply roll-over by default.
- 4.8 A benefits realisation plan has not yet been prepared. We were advised that it is intended that this will be prepared once the bidders final tender has been received, evaluated and benefits confirmed. Internal Audit considers that management must ensure this occurs.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario

- 5.1 The Committee reports in December 2022 and August 2023, as detailed at Section 2, outlined various planned measures and mitigations to enable the Council to evidence that progression of the procurement with a single bidder represents best value to the Council. Our work in this area has focussed on reviewing the work undertaken by the Project Team and its external professional advisers (see checklist used at Appendix 2) and the conclusions drawn from it are outlined in paragraphs 5.2 to 5.28 below.

Benchmarking

- 5.2 The Project Team identified benchmarking as a tool to assist in the validation of value for money in the bidder's tendered prices. Benchmarking was undertaken on a sample of Schedule of Rates (SORs) items included in the tender documentation to assess the bidder's tendered price against internal (current prices paid by the Council) and external sources (prices paid by third parties). Data obtained by the Project Team was reviewed to determine whether it provided reliable information to assist the Council in determining whether the single bidder's tender price was reasonable and demonstrated best value. Several sources were identified for benchmarking; however, the outcome was inconclusive as the SORs being used by the Council are often unique and do not facilitate close matching to SORs used by other sources. As a result, the Project Team had a low level of confidence in the outcomes from the benchmarking undertaken.
- 5.3 From our review of the documentation in relation to benchmarking (including the comparators used, work undertaken and outcomes), we consider that reasonable and appropriate action has been taken by the Project Team to identify a variety of potential external benchmarking sources and to undertake a comparison against Council data to assist in confirming whether the bidder's tender price was reasonable and demonstrated best value to the Council. However, the level of assurance which can be taken from this is low due to limitations with the SORs used by the Council and difficulties in accessing robust comparable external data. Given the low level of assurance which can be derived from it, Internal Audit considers that the benchmarking undertaken by management is unlikely to be able to be used as a key determinant to support any assessment of best value for this contract.

Should Cost Model

- 5.4 A Should Cost Model (SCM) is means of providing a forecast of what a service, project or programme 'should' cost over its whole life. It can be a powerful tool that helps to evaluate and/or negotiate pricing with suppliers' and can be used to deliver cost savings.
- 5.5 In line with best practice, the Council appointed an external advisor with appropriate skills and knowledge to develop the SCM which would be used by the Project Team in consideration of best value of the bidder's tender price submission in this single bidder situation.
- 5.6 The SCM for the Enterprise Project uses the base rate from existing contracts and volume data to calculate a 'should cost' for all SORs across all trades which are included in the Core Services (Housing and Corporate) element of the proposed contract. The data was sourced from, and the populated SCM was discussed with and agreed by, officers within Housing Property Services, who are responsible for the management of relevant current contracts.
- 5.7 The SCM uses the same structure and SORs as those included in the Initial and Final Tender submissions, which are required to be completed by the bidder, to enable direct comparison and to assist with determining whether the tender submission represented value for money.
- 5.8 The Project Team advised that the base rates used in the SCM reflected the current costs paid by the Council for the services (as recorded on HSMS (housing management system)), indexed to March 2023 and that the bidder was required to price to this date/on that basis.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario (continued)

- 5.9 In respect of volumes, the Project Team advised that the volumes used in the SCM were estimated based on orders placed in 2021/22 (for housing services) and 2019/20 (for corporate services), identified using reports from HSMS. For SORs where the volume could not be determined, a notional volume of 1 was used. The Project Team also advised that discussions and workshops were held with the Service to review the volumes used in the SCM to ensure that the Service were satisfied that they were reasonable and representative of a 'typical year' (whilst recognising that there is significant year-on-year variation in many types of works).
- 5.10 The SCM was refined by the external advisor in consultation with the Project Team throughout the procurement process to amend for any updates to assumptions and required adjustments which were applied to the existing contract, or have been confirmed for the new contract, but were not reflected in the 'should cost' rates for individual SORs and trades.
- 5.11 Our review of the base rates used in the SCM included checks on the base rates for a sample of trades to confirm whether they matched HSMS (at the original contract award date), indexation had been applied correctly and the calculated base rates matched those used in the SCM. We are satisfied that the base rates used in the SCM have been reasonably calculated in line with the methodology advised. Whilst we identified a small number of issues with individual SORs, these were insignificant and did not materially affect the outcomes from the SCM.
- 5.12 We requested source documentation to evidence how the volumes contained in the SCM were established. The Project Team provided reports from HSMS detailing SOR frequencies for the 'typical' years selected (see paragraph 5.9) and these were compared to the volumes used in the SCM. The source information received accounted for 59% of the SORs contained in the SCM for Housing and 35% for Corporate, therefore our ability to undertake a complete analysis and review of the validity of the volume data contained in the SCM was limited.
- 5.13 Based on the information received, Internal Audit consider that, the methodology applied in determining the volumes for Housing appears reasonable, with 80% of the volumes recorded in the SCM matching those detailed in reports from HSMS.
- 5.14 For Corporate, of the 35% of SORs for which we were provided with HSMS historical volume data, our analysis confirmed that 99% of the volumes used in the SCM matched those detailed in the reports from HSMS.
- 5.15 We also noted that two thirds of all SORs for Corporate contained in the SCM were allocated a notional volume of 1 as data on previous levels of orders was not always readily available. Whilst the use of notional volumes enables a model to be devised and 'like for like' comparison between the SCM and tender prices, Internal Audit considers that this reduces the assurance that can be taken from the projected costs outcome of the SCM for the Core Services – Corporate element of the contract.
- 5.16 We reviewed the type and value of any assumptions and adjustments applied to the SCM throughout the procurement process and confirmed that there was a clear rationale for each, which were supported by appropriate and sufficient documentation.
- 5.17 From our review of documentation relating to the SCM model, we can see that significant time and effort has been expended by the external advisors and Project Team to prepare the SCM and enable proper comparison between the cost of the existing contract and the proposed contract.
- 5.18 Overall, Internal Audit consider that, despite some of the issues identified above, reasonable reliance can be placed on the outcome of the SCM analysis to support management's assessment of best value for the proposed contract.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario (continued)

Open book

- 5.19 The Project Team stated that they would incorporate a requirement for transparent (open book) pricing in the tender documentation. The Initial and Final Tender documentation issued required the bidder to record individual prices for labour, plant, and materials as well as percentages for management costs and profit for each SOR and for narrative orders and dayworks. Based on our review of the tender documentation, Internal Audit can confirm that an open book method for pricing has been followed and can reasonably be used to support management's ongoing assessment of the extent of best value during the lifetime of the contract.

Reduction in scope of work granted on an exclusive basis / non-exclusive work

- 5.20 The Project Team indicated that a reduction in the scope of the work to be granted on an exclusive basis would be incorporated into the contract. The contract contains a clause which states that, subject to satisfactory performance, the contractor will have an exclusive right and obligation in the delivery of core services during the term of the contract.
- 5.21 Our review of the contract documentation confirms that the contract has been split into three distinct areas (Core Services – Housing, Core Services – Corporate and Core Projects), clearly stating that the contractor has exclusivity, subject to satisfactory performance, to deliver Core Services only, Internal Audit considers it important therefore that appropriate and robust contract monitoring arrangements are developed and implemented to enable, where appropriate, the removal of this exclusivity for Core Services in the event of poor contractor performance .
- 5.22 The contract also contains a clause which states that, whilst the contractor will be given the first opportunity to bid for individual core projects, the Council reserves the right to procure these projects from alternative providers, after taking account of factors such as the contractor's performance, quality and competitiveness of previous responses, timescales, and the contractors capacity to undertake each project.
- 5.23 Our review of the contract documentation confirms that the contract includes an exclusivity clause and outlines the engagement process for individual core projects which includes several stages from project request through to contract execution. Internal Audit considers that this will enable the Council to achieve best value in future core projects, however, there is currently no documentation which outlines the process for assessing individual project submissions to determine whether they represent best value and if not, how the delivery of such projects will be procured from an alternative provider.
- 5.24 Internal Audit considers that by reducing the scope of work granted on an exclusive basis, either by removing the right to exclusivity on Core Services, where appropriate, and/or enabling the use of competition in respect of Core Projects, the proposed contract should support the ongoing assessment and delivery of best value during the lifetime of the contract.

Procurement policy terms

- 5.25 The Project Team stated that the Council would prescribe the procurement policy terms for the contractor in relation to advertising, quotations, and sub-contracting. The contract contains a clause which sets out the procurement policy terms in relation to the contractor advertising and obtaining quotations for sub-contracted work opportunities. From our review of the contract, Internal Audit considers that these terms are clear and, if operated as prescribed, should ensure that there is appropriate competition for sub-contracted opportunities.

5 Control Objective 2: steps taken by management to mitigate risks associated with the single bidder scenario (continued)

Social Value

- 5.26 One of the main objectives of the Enterprise Project is to deliver a range of social value benefits for the local community including generating employment and training opportunities, the use of local businesses, community engagement, environmental impacts, and innovation in the delivery of services.
- 5.27 As part of the quality assessment of the tender submission, bidders were required to provide a social value plan detailing their social value commitments and how they plan to deliver specific and tangible social value measures and benefits. Elements of this submission were discussed between the Project Team and bidder during the negotiation process, with some elements being improved. These social value elements will be included in the final contract.
- 5.28 Internal Audit's review confirmed that the social value commitments outlined in the report to Committee in August 2023 are contained in the bidder's final tender submission; however, we consider that a robust process for monitoring and measuring these commitments needs to be established and implemented.

6 Management's assessment of best value

- 6.1 As regards whether reasonable steps have been taken by management to successfully address and mitigate risks associated with the single bidder scenario, including the need to assess whether any proposed contract outcome can be demonstrated to deliver best value to the Council, while competition is widely recognised as the best way to demonstrate value best value in any procurement exercise (and despite the Council's best efforts, this has not occurred in relation to this project), the absence of competition makes demonstrating that the proposed outcome represents/delivers best value more challenging.
- 6.2 We noted that throughout the procurement exercise, the Project Team recognised the challenges presented by the single bidder scenario/lack of competition and acknowledged the need to take steps to be able to ensure that any recommended outcome delivers best value and to be able to demonstrate that to elected members.
- 6.3 We examined the range of actions taken by management to address and mitigate risks surrounding the need to demonstrate/secure best value, how management have assessed whether the proposed outcome represents best value and how this assessment has been communicated to elected members.
- 6.4 Internal Audit noted that management's assessment of best value has been undertaken in line with the intended approach previously reported to Council, combines quantitative and qualitative aspects, and incorporates mechanisms designed to allow and support assessments of best value at both contract award stage and during the life of the contract.
- 6.5 Overall, Internal Audit considers that management's assessment of best value, and the rationale behind this assessment, provided to elected members appears balanced, broadly consistent with Internal Audit's findings and forms a reasonable basis to inform and support decision-making.
- 6.6 Section 7 of this report contains an action plan with audit recommendations primarily focused on issues/management arrangements requiring to be addressed following any contract award. Management responses including agreed planned actions have been provided and progress implementing these will be monitored and reported on by Internal Audit to the Audit and Scrutiny Panel in line with normal arrangements for follow-up of audit recommendations.

7 Recommendations

No	Recommendation	Management response
1	<p>The Depute Chief Executive should ensure that, as a matter of urgency, work is undertaken to develop and thereafter formally document the 'Intelligent Client' function.</p> <p>This should comprise the oversight and assurance role within the Council to manage the relationship with the successful bidder and be responsible for monitoring performance to ensure that the required outcomes and standards of performance are achieved with clear roles and responsibilities for all levels involved.</p>	<p>Agree</p> <p>As a priority, management will undertake work to develop and implement the 'Intelligent Client' function aligned with the provisions of the contract and the audit recommendation.</p> <p>It should be noted that this is a significant piece of work, which will require input from a number of Chief Officers and other professional supports, which given the short contract mobilisation period, through necessity will extend beyond the service commencement date. The Enterprise Project Team will provide support to the development and implementation of the 'Intelligent Client' function.</p> <p><u>Phase 1</u>: The essential elements for effective performance management</p> <p><u>Phase 2</u>: More advanced approaches developed and introduced, as a priority, on a phased basis thereafter</p> <p>Responsible Officer</p> <p>Andrew McPherson, Depute Chief Executive</p> <p>Timescales</p> <p><u>Phase 1</u>: Commencement of Contracted Service Delivery Date</p> <p><u>Phase 2</u>: Commencement of Contracted Service Delivery Date plus 3 months</p>

7 Recommendations (continued)

No	Recommendation	Management response
2	<p>The Depute Chief Executive should ensure that appropriate and robust contract management arrangements, proportionate to the size and scale of this contract and reflecting good practice, are developed, formally documented, and clearly communicated to the team appointed to manage this contract.</p> <p>In doing so consideration should be given, but not limited to, ensuring that:</p> <ul style="list-style-type: none"> • overall ownership of contract management is clear with a 'contract management senior responsible owner' appointed to drive contract management performance; • the lead contract manager has appropriate skills and experience (both specific contract management skills and more general commercial awareness and expertise) with access to relevant training and development; • an adequately resourced, balanced contract management team is established with an appropriate range of skills. A formal assessment of the skills and competencies and any training needs of the established team should be undertaken to ensure effective monitoring of all aspects of the contract can be undertaken; • the contract manager and wider contract management team have defined roles and responsibilities and clear reporting lines; • a clear contract management plan, with a focus on outputs and a 'whole life' approach to contract performance is prepared; • properly detailed processes and procedures are established with clear roles and responsibilities including reporting requirements which take account of the Council's wider governance arrangements; • comprehensive financial monitoring arrangements including coverage of any contract conditions (e.g. service credit model) are implemented; • a comprehensive and objective performance management framework is established with supplier performance assessed using clear, objective, and meaningful metrics; and • risk management arrangements are in place for risks to be formally identified and monitored regularly, with mitigating actions developed and implemented where possible. Escalation and reporting requirements should be clearly set out. 	<p>Agree</p> <p>Appropriate and robust contract management arrangements, proportionate to the size and scale of this contract and reflecting good practice, will be developed, formally documented, and clearly communicated to the team appointed to manage this contract, aligned with the expectations set out in the audit recommendation. Update reports provided to the Enterprise and Communities management team every 6 months reporting progress on the implementation of the agreed actions.</p> <p>It should be noted that this is a significant piece of work, which will require input from a number of Chief Officers and other professional supports, which given the short contract mobilisation period, through necessity will extend beyond the service commencement date. The Enterprise Project Team will provide support to the development and implementation of the 'Intelligent Client' function.</p> <p><u>Phase 1</u>: The essential elements for effective contract management</p> <p><u>Phase 2</u>: More advanced approaches developed and introduced, aligned with contract commitments, on a phased basis thereafter.</p> <p>Responsible Officer</p> <p>Andrew McPherson, Depute Chief Executive</p> <p>Timescales</p> <p><u>Phase 1</u>: Commencement of Contracted Service Delivery Date</p> <p><u>Phase 2</u>: Commencement of Contracted Service Delivery Date plus 12 months</p>

7 Recommendations (continued)

No	Recommendation	Management response
3	The Depute Chief Executive should ensure that the identified contract mobilisation tasks are completed in an appropriate and timely manner.	<p>Agree</p> <p>As acknowledged in the audit report, a mobilisation group and plan is in place and being progressed with the Chief Officer (Housing Management) overseeing delivery of the plan.</p> <p>The Chief Officer (Housing Management) will ensure that the tasks contained in the mobilisation plan are implemented in accordance with the agreed timescales and report progress on a regular basis to Enterprise Project Board.</p> <p>Some mobilisation tasks are required in advance of commencement of contracted service delivery date, others on a phased basis thereafter aligned with contractual provisions.</p> <p><u>Phase 1</u> Completion of the essential mobilisation tasks to support commencement of contracted service delivery</p> <p><u>Phase 2</u> remaining mobilisation tasks aligned with contract provisions</p> <p>Responsible Officer Stephen Llewellyn, Chief Officer (Housing Management)</p> <p>Timescales</p> <p><u>Phase 1:</u> Commencement of Contracted Service Delivery Date</p> <p><u>Phase 2:</u> Commencement of Contracted Service Delivery Date plus 6 months</p>
4	The Depute Chief Executive should ensure that a Benefits Realisation Plan is prepared to record, calculate, and monitor the social value aspects of the Enterprise Project, with regular and timely reporting to key stakeholders.	<p>Agree</p> <p>The Enterprise Project Team shall:</p> <ul style="list-style-type: none"> develop a template Benefits Realisation Plan which will make provision for frequency of measurement, recording mechanisms, monitoring arrangements, related roles and responsibilities of the contract management team and other Council teams; provide documentation on all benefits committed to by the Contractor and the timescale for delivery of the benefits to the team appointed to manage the contract (see management response to audit recommendation 1); and communicate to the team appointed to manage the contract, how the contract management arrangements for benefits realisation (including corrective action) in the new contract should operate. <p>The team appointed to manage the contract (see management response to audit recommendation 1) shall manage the delivery of the Benefits Realisation Plan and report on the contractor's performance against the plan. The information shall be prepared in advance of the first Contract Service Management Group meeting which shall be held quarterly with the first meeting 3 months after Service Commencement.</p> <p>Responsible Officer Andrew McPherson, Depute Chief Executive</p> <p>Timescale Commencement of Contracted Service Delivery Date plus 3 months</p>

7 Recommendations (continued)

No	Recommendation	Management response
5	The Depute Chief Executive should ensure that a procurement engagement and assessment process for the non-exclusive element of the Enterprise Contract (Core Projects) is developed, fully documented, and clearly communicated to, and properly implemented by, the team appointed to manage the contract.	<p>Agree</p> <p>The team appointed to manage the contract (see management response to audit recommendation 1) will ensure that a procurement engagement and assessment process for the non-exclusive element of the Housing and Corporate Contract (Core Projects) is developed, fully documented, clearly communicated, and properly implemented. The Enterprise Project Team will provide support to the development and implementation of the engagement process.</p> <p>Responsible Officer Andrew McPherson, Depute Chief Executive</p> <p>Timescales Commencement of Contracted Service Delivery Date plus 6 months (no Core Projects shall be offered to the Contractor in advance of this timescale)</p>

Appendix 1 – Project Management Good practice toolkit – key questions

Strategic Definitions and Preparation of Business Case	
1	Has it been clearly documented what the programme/project is intended to achieve/deliver with realistic objectives and an understanding of what success looks like?
2	<p>Has a detailed Project Business Case or equivalent been prepared which outlines the programme/project scope, expected deliverables, costs, affordability, risks, procurement route and high-level project plan?</p> <p>Note – in reviewing the project business case or equivalent consideration should be given to whether it clearly documents and demonstrates that:</p> <ul style="list-style-type: none"> the council is clear about the benefits expected and about how they will be achieved. options have been identified and assessed. project costs have been built up in a consistent manner, including, where appropriate, specific risks, optimism bias allowances, and realistic inflation costs. project procurement routes and options have been fully explored and form part of the developed project business case.
Governance	
3	Has a Project Board or equivalent been established to undertake a high-level monitoring role for the project and ensure that decisions made regarding the project are adequately considered?
4	Does the Project Board or equivalent have clear terms of reference and it is chaired by the SRO and attended by all key people involved in the project?
5	Have clearly defined roles and responsibilities been documented for the SRO, Project Sponsor, Project Manager and Project Team?
6	Is there a distinct project/programme management team with authority and responsibility for delivering the programme?
7	Is the Project Board meeting regularly?
Project Plan	
8	Is there a high-level project plan and does it establish project/programme timescales?
9	Is the project plan broken down into manageable workstreams and relevant project milestones which are meaningful to the Project Board to allow accurate and frequent tracking of progress on the project and maximise visibility of inter-dependencies?
10	Does the project plan record and continually update its critical path?
11	Are critical path activities identified and used as a base timeline against which other activities and interdependencies are reported on?
12	As necessary, is analysis undertaken of the effects of any slippage on time, cost, scope or quality?
Risk Management	
13	Where appropriate was a Preliminary Risk Assessment (PRA) undertaken?
14	<p>Is there clear evidence of appropriate consideration of risks which have the potential to undermine the success of the programme/project?</p> <p>Have these been recorded on a project risk register which includes an assessment of likelihood and impact and are the results used to inform the management of project risks?</p>
15	Is up to date information on key risks regularly presented to the Project Board or equivalent?
16	Has a threshold been agreed at which risks require to be escalated? Are these arrangements working in practice?

Appendix 1 (continued) – Project Management Good Practice Toolkit – key questions

Procurement	
17	Where procurement is required, are procurement activities being undertaken in a manner consistent with corporate expectations (i.e. compliance with CSOs, use of appropriate and legally compliant competitive processes designed to secure achievement of best value etc)?
Planning – Benefits Realisation	
18	Has a benefits realisation plan been prepared which details identified programme benefits, ways of measuring achievement of those benefits and benefit owners? Have the Project Board approved the plan?
19	Has current baseline performance been documented and is there an appropriate plan to establish what information needs to be captured to measure future impacts and/or changes in performance arising from the programme/project?
Oversight and Scrutiny – Project Board	
20	Are there arrangements in place to allow the SRO and Project Board to regularly monitor delivery of the programme/project against the project plan including costs v budget, achievement of key milestones and performance v timescales?
21	Do progress reports to the SRO/Project Board make appropriate use of expected reporting formats and/or include: <ul style="list-style-type: none"> • details of progress against pre-defined criteria on cost, time, quality, and key project milestones; • reports on individual work packages/workstreams; • resources and funding used to date (including against expectation and progress); • details of any changes to previously approved plans/timelines/milestones; and • confidence in forward plans?
22	Where there are issues which are impacting (or are considered likely to impact) on the successful delivery of a programme/project (on the achievement of planned deliverables/outcomes, or to time, or to budget), have these issues been discussed and remedial actions identified? Are the implementation of these actions and their impact being monitored?
23	Is performance against the benefits realisation plan reviewed to determine whether the programme is on track to deliver intended benefits and outcomes?
24	Is the programme on track to deliver intended benefits?
Oversight and Scrutiny – Elected Members	
25	Are there regular reports to elected members on the progress of the programme/project?
26	Do reports to elected members provide a realistic overview of the progress of the programme/project to date (including costs v budget, achievement of key milestones and performance v timescales) to enable members to provide effective oversight and scrutiny?
27	Where appropriate, are any key risks or issues impacting (or likely to impact) on successful delivery highlighted and information provided as to what management is doing or plans to do in response?
28	Where the Project Board has agreed changes to expected milestones/timescales/budgets have any material changes reported to elected members?

Appendix 2: Best Value Good Practice Aspects – key questions

External benchmarking to validate costs and financial models	
1	Has benchmarking been undertaken by professional advisers with appropriate skills and knowledge?
2	Where data has been benchmarked, are we comparing like with like?
3	<p>Has benchmarking followed the 7 best practice steps:</p> <p>a) Confirm that the project objectives and set the metrics</p> <ul style="list-style-type: none"> Is there a clearly documented scope for benchmarking which sets out the objectives of the benchmarking exercise and the data to be benchmarked? Has the information for benchmarking been identified? Is this information reasonable (consistent with what will be produced), accurate and current? <p>b) Break the project into major components for benchmarking.</p> <ul style="list-style-type: none"> Have the core components of the project been identified to enable comparison to similar components on other projects? <p>c) Develop templates for data gathering.</p> <ul style="list-style-type: none"> Is there a robust data structure which outlines protocols for the measurement and inclusion of information alongside data templates? Have the standards, requirements and expectations of benchmarking data been clearly stated? Have templates for recording data and undertaking comparisons been developed? <p>d) Scope sources and gather data.</p> <ul style="list-style-type: none"> Have sources of data for benchmarking been identified and has appropriate data been gathered from these sources to enable benchmarking? <p>e) Validate and re-base data.</p> <ul style="list-style-type: none"> Has data been validated and cleansed to ensure accurate information and benchmarking? Has data been re-based to ensure that all records are comparable and consistent? Has risk and uncertainty been accounted for to ensure accurate comparisons? Have data validation rules and processes been established? Have processes for reviewing, investigating and fixing any data issues been established? <p>f) Produce and test the benchmarking figures.</p> <ul style="list-style-type: none"> Have appropriate techniques been used to produce valid benchmarking figures and ranges? Are we comparing similar data to ensure that outputs can be used to inform decisions? <p>g) Review and repeat, if necessary, before using the data for benchmarking.</p> <ul style="list-style-type: none"> Have the benchmarking practices been reviewed to support continuous improvement? Will these benchmarking figures be used to inform future decisions?
4	How has the benchmarking exercise been collated and what output was produced?
5	Has the outcome of benchmarking exercises been used to assess and review tender prices submitted by the single bidder and inform any decision making?
6	Has the outcome of benchmarking exercises been formally notified to the Project Board?
7	When and how have/will the results of benchmarking exercises been/be presented to the relevant Committee?

Appendix 2 (continued): Best Value Good Practice Aspects – key questions

The development of a 'Should Cost' model	
8	Step 1 – Plan: Has a clear and comprehensive scope been prepared which outlines the purpose of the SCM, what it needs to achieve and the work to be undertaken (e.g. overview, costs, modelling techniques, data and assumptions, tool selection and quality assurance plan)? Have necessary resources been identified and made available (time as well as professional advisers with appropriate skills and knowledge)? Has the approach to QA and testing been clearly set out (e.g. error checking, verification (alignment with specification) and validation (fit for purpose))? Has a preliminary delivery plan been prepared (to provide clear timelines and milestones)?
9	Step 2 – Design: Has a specification been prepared and does this reflect and meet the requirements set out in the scope (i.e. a documented process for how the SCM will be prepared and used)? Has risk and uncertainty been appropriately considered and addressed (should be set out in the specification)? Have model input (e.g. data and assumptions) and output templates been prepared and are they appropriately laid out? (i.e. depict how model inputs and outputs will be organised within and across different worksheets). Have data requirements and associated data sources been identified and reviewed for quality?
10	Step 3 – Develop: How was the costing model prepared? Does the SCM reflect known areas of spend and does it cover all areas of the contract? Are costs based on prices in real terms, at an appropriate point in time? Are costs based on expected demands (i.e. volume)? Has the SCM been checked to ensure that all data, formulas, etc are accurate?
11	Step 4 – Test: Has the model been tested in line with the QA plan and have procedures been documented? Have all issues arising from the QA and testing been identified, documented, and addressed? Is there a clear record of issues arising and how they were resolved? Have any limitations, including areas not addressed by QA and testing, been included in QA reports and highlighted within the model documentation?
12	Step 5 – Use: Has the outcome of the SCM been notified to the project team and has this been assessed to inform the next stage of the procurement? Has the SCM been used to assist in the tender process? Have any specific reports on the SCM been presented to the Project Board? If so, has the Project Board approved/determined how the outcome of the SCM should be used?

Appendix 2 (continued): Best Value Good Practice Aspects – key questions

The adoption of transparent pricing and other mechanisms (open book)	
13	Obtain evidence of movement to adoption of transparent pricing (e.g. changes in draft ITN to final ITN) for: <ul style="list-style-type: none"> For each SOR, five cost element rather than just a single cost; and breakdown of management fee to provide information on central overheads, management costs and recovery to parent group.
14	Obtain evidence of use of transparent pricing in the ITN submitted by the single bidder. Does the transparent pricing cover all areas of the contract (including those not easy to define)?
15	Were tolerances used in tender documentation to easily identify the cost of service and any large price differences?
16	Which areas formed the basis of the discussions for the clarification process? Do these appear reasonable in relation to aspects of the initial bid which were out with the stated tolerance levels?
17	What was the outcome of the discussions for the clarification process and did this resolve most of the issues identified in relation to tolerance levels?
18	Is there a balance between areas where assessment shows good value for money and those with less competitive quotes?
A reduction in the scope of work which is to be granted on an exclusive basis to the service provider and an increase in the requirement for the service provider to demonstrate value for money over the contract term for non-exclusive work	
19	Obtain evidence of changes in the scope of work to: <ul style="list-style-type: none"> reduce the level of exclusive work to the single bidder; and introduce the requirement for the single bidder to demonstrate best value prior to award of capital (non-exclusive) work
20	Obtain details of the documented engagement process for non-exclusive work and how bids from the single bidder will be assessed. Critically appraise the process and determine whether it takes account of the single bidder's: <ul style="list-style-type: none"> performance, quality, and competitiveness of previous proposals; ability to meet the timescales; and capacity to fulfil the request?
The Council prescribing the procurement policy terms for advertising, quotations, and sub-contracting	
21	Obtain evidence to confirm that the terms and conditions of the contract: <ul style="list-style-type: none"> clearly prescribe the procurement policy terms for advertising, quotations and sub-contracting to ensure appropriate competition; and allow for appropriate visibility for the Council to ensure that the process is undertaken in an open and fair manner
Additional measures in relation to contract monitoring	
22	Obtain evidence, that the terms and conditions of the contract includes: <ul style="list-style-type: none"> ongoing monitoring of prices against industry throughout the duration of the contract (indexation adjustments); and independent benchmarking for some or all component parts to ensure price increases are in line with the market and that any reduction in market prices will see contract prices adjusted downward
23	Has a process been established for undertaking this work, setting out how often it will occur, what will be checked and how it will be checked?

Appendix 2 (continued): Best Value Good Practice Aspects – key questions

Best value in relation to non-financial outcomes	
24	Has the assessment of the bid included both financial and non-financial outcomes and are these balanced?
25	Obtain evidence to confirm that the social value commitments outlined in Appendix 8 of the report to Council in August 2023 will be included in the contract.
26	How did the project team determine which social benefits are acceptable and which need further discussion/ negotiation (e.g. consideration of any financial impact and optimum level where additional benefits would be an additional cost to the Council)?
27	What was the basis of discussion and negotiation around non-financial outcomes (i.e. which benefits did the discussion focus on)? Have there been any improvements (or do you anticipate any improvements at the negotiation stage)?