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To: Policy and Resources Committee, 8th September 2016

Subject: Contract Management

Classification: Unrestricted

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Summary: This report sets out next steps to develop our commercial approach through effective contract management practice. This approach is in line with the commissioning cycle principles as set out in the May 2014 County Council paper 'Facing the challenge: Towards a Strategic Commissioning Authority', with a view to providing wider scrutiny of contract management.

Recommendation(s):

The Cabinet Committee is asked to:

- (1) **Note** plans to strengthen the organisation's approach to contract management through a rolling programme of reviews.
- (2) **Consider and endorse** the proposal to bring a six monthly update to the Committee to inform their oversight of contract management

1. Introduction

1.1 The County Council has set out the ambition to strengthen its' commercial skills and capabilities in support of the journey to become a strategic commissioning authority. In December 2014, it approved the establishment of the Strategic Business Development and Intelligence (SBDI) division to support this.

1.2 The purpose of the Strategic Business Development and Intelligence Division is to:

- lead a more commercial way of thinking and operating across KCC;
- lead a more effective approach to commissioning and contract management across the Council, in partnership with directorates and providers; and

- bring together business, customer and market intelligence and use this to support and challenge effective commissioning decisions, and to provide long term emerging trends.
- 1.3 In December 2015, County Council approved a paper which set out the next phase of activity to embed the strategic commissioning approach as 'business as usual' within the organisation. This paper recognised the critical role of all members in providing oversight and governance around the commissioning cycle.
 - 1.4 The paper noted the key role for Cabinet Committees within this model which has since led to increased responsibilities for each Committee to undertake oversight and assurance of contract management. Contract Management is a key component of the commissioning cycle and enables the effective delivery of our strategic outcomes in line with the County Council's Strategic Statement 'Increasing Opportunities, Improving Outcomes'.
 - 1.5 The Policy and Resource Committee is asked to note the proposals to improve the Council's corporate approach to contract management through an ongoing programme of maturity assessments and to endorse the proposal to report progress on a six monthly basis to the Committee.

2. Embedding Best Practice Contract Management

- 2.1 SBDI have a key role in embedding a more commercial approach to strategic commissioning across the Council. As part of this role, the division is responsible for the setting the organisation's overall approach to contract management.
- 2.2 The "do" stage of the commissioning cycle includes the three phases of activity that constitute contract management. The National Audit Office (NAO) good practice contract management framework identifies eight key activities in these phases as follows.
 - (i) Planning and governance (preparing for contract management and providing oversight)
 - (ii) People (ensuring the right people are in place to carry out the contract management activities)
 - (iii) Administration (managing the physical contract and the timetable for making decisions)
 - (iv) Managing relationships (developing strong internal and external relationships that facilitate delivery)
 - (v) Managing performance (ensuring the service is provided in line with the contract)
 - (vi) Payment and incentives (ensuring payments are made to the supplier in line with the contract and that appropriate incentive mechanisms are in place and well managed)
 - (vii) Risk (understanding and managing contractual and supplier risk)
 - (viii) Contract development (effective handling of changes to the contract)

- 2.3 Contract management success and the activities undertaken are strongly influenced by what has happened during the tendering/contract award phase, in terms of both “hard” outputs, such as the terms and conditions that have been agreed, and the type of relationships that have been established during the tendering/contract award phase or even before i.e. during market development and engagement. The tendering/contract award phase and the contract management phase should be seen as a continuum rather than distinct phases, with contract management planned from the start of the procurement process if not before. The NAO framework describes several of the key issues in the tendering/contract award phase that can influence contract management.
- 2.4 To strengthen the impact of the Council’s contract management approach, a continuous programme of reviews has been designed to hold contract managers to account. This will provide the Council with assurance that the right activities are undertaken consistently at the appropriate standard; both across the organisation and throughout the commissioning cycle.
- 2.5 Through this process, the level of contract management maturity will be determined for each contract, types of contract, and for contract management overall. Maturity will be measured using a consistent set of standards in line with the NAO good practice framework.
- 2.6 Contract owners will be supported in identifying actions to develop the current maturity of contract management as required. This may be through personal development or through corporate action such as organising an awareness or training programme if the action is a common theme across several contracts for example.
- 2.7 This activity will be coordinated and overseen by the Budget and Programme Delivery Board, which will prioritise the programme of reviews in line with organisational priorities. The order of contracts brought forward will be determined by value, risk and complexity. Due to the time consuming nature of the task, a sub-committee of BPDB will be set up to undertake the reviews.
- 2.8 Progress in reviewing contract management and its findings will be reported to PRCC six monthly as a matter of routine, and by exception as required. This reporting should provide valuable assurance that will support members in the strategic oversight of contract management and provider performance.
- 1.2. In addition, the option to affiliate the Council with an appropriate professional body to support the work on contract management will be considered. Corporate membership of the International Association for Contract and Commercial Management (IACCM) may be appropriate for example. A recommendation to PRCC would be made in due course.

3. Financial Implications

- 3.1 The programme of reviews which are proposed aims to identify opportunities to improve contract management and manage provider performance. This may identify opportunities for savings or securing improved value from existing contracts. The cost of the review programme will be borne from existing

resources.

4. Legal implications

N/A

5. Equalities implications

N/A

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9. Recommendations:

9.1 The Policy and Resources Cabinet Committee is asked to:

- (1) **Note** the plans to strengthen the organisation's approach contract management through a rolling programme of reviews
- (2) **Consider and endorse** the proposal to bring a six monthly update to the Committee to inform their oversight of contract management practice

10. Background Documents

10.1 ['Embedding Strategic Commissioning as Business as Usual'](#), County Council, 10th December 2015.

4.2 National Audit Office good practice contract management framework

<https://www.nao.org.uk/report/good-practice-contract-management-framework-2-2/>

4.3 International Association for Contract and Commercial Management

https://www.iaccm.com/?_hstc=149696361.6b5bce5a4939ad51ef96dfc674acc685.1470932162657.1470932162657.1470932162657.1&_hssc=149696361.3.1470932162657&_hsfp=3147670327

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