

**From: Catherine Rankin, Cabinet Member for Strategic Commissioning
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To: Policy and Resources Cabinet Committee – 8 March 2019

Subject Six Month Update and Forward Plan for Contract Management Review Group

Classification: Unrestricted

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Electoral Divisions: All

Summary:

The Contract Management Review Group, which is Chaired by the Cabinet Member for Strategic Commissioning, meets on a regular basis to look in detail at how a specific contract is being managed.

The contracts are reviewed using a methodology based on the National Audit Office guidance on how contracts should be managed.

Recommendations:

The Policy and Resources Cabinet Committee are asked to:

- i) comment on the report and endorse the timetable of reviews; and
- ii) support the direction of travel for contract management identified in section five.

1 Overview

1.1 The Contract Management Review Group (CMRG) meets on a regular basis to look in depth at a specific contract, asking contract managers to review the maturity of their contract management practice against a set of criteria based on National Audit Office guidance. Background on the development of the group can be found in Appendix 1.

1.2 The membership of the group is:

- Cabinet Member for Strategic Commissioning (Chair)
- Deputy Cabinet Member for Strategic Commissioning
- Deputy Cabinet Member for Finance

- Head of Finance, Operations
 - Strategic Commissioner
 - Head of Commissioning Support
 - Commissioning Standards Manager
- 1.3 CMRG reports to the Budget Delivery Group as a standing item.
- 1.4 Advice is given to managers for areas to consider in their future practice, or when they are looking at re-commissioning services.
- 1.5 In total, CMRG has reviewed over 30 contracts, with 16 major contracts reviewed in the past year, including Adults Residential Care, Highways Term Maintenance, Total Facilities Management.
- 1.4 The Forward Plan of items for the next five months is included below

2. Key learnings from reviews undertaken this year

- 2.1 Overall the engagement between the CMRG and the contract managers has been very positive and successful in promulgating good contract management practice.
- 2.2 Contracts that have been re-reviewed have seen significant improvements in how they are managed, now contract owners are better informed about standards and expectations of the NAO framework.

An excellent example of this is the Agilisys contract. CMRG identified performance issues when the contract was first considered in October 2016 and gave the contract managers areas to focus on. When the contract was reconsidered in January 2018, the group was satisfied and reassured that robust contract management has ensured that the rectification plans had been put in place, and that suitable remedies and action plans had been closely monitored and resolved.

- 2.3 During the course of the year certain themes have emerged when reviewing the contracts, many of them involved with the initial set up of the contracts.
- 2.4 One area that has been highlighted has been the need to be evidence based, specific and relevant when developing performance measures for the contract, both in terms of the provider's ability to deliver, but also in terms of measurability.
- 2.5 The challenges of mobilisation have often been under-estimated, and although planning has been evident, this has not also been followed through, nor risks effectively mitigated.
- 2.6 There is, in general, a lack of understanding that contracts need to develop over time, to be concurrent with need, rather than remaining the same as when they were let. This is especially true when contracts are running over a longer period.

There were some areas where this ability had been utilised, and it was clear that the level of commercial understanding in the organisation is starting to improve.

2.7 The systems within the organisation were limiting the ability of contract managers to do their job and therefore the level of maturity in the Administration section of the assessment was restricted to scores of 3 out of 5.

3. Review of Older Persons Residential and Nursing Care Homes Contract

3.1 In June 2018 CMRG reviewed the Older Persons Residential and Nursing Care Homes contract – (184 contracted care homes), with anticipated value of £94m in the current financial year.

3.2 Several issues were found with the management of the contract and CMRG requested focussed work to turn this around.

3.3 The Cabinet Member for Strategic Commissioning has held two interim follow up meetings with the contract manager to monitor progress, and the Contract returned to CMRG on January 29th, where it was clear that progress had been made, and that the contract managers had identified and moved forward on all of the issues associated.

3.4 However, it was also clear that, as highlighted above, there is a need for improvement in the systems that support contract managers in their work.

4. Upcoming Reviews

4.1 Items are selected for review based on a number of criteria:

- Value
- Complexity i.e. are there factors that would make contract management more difficult – e.g. demand led activity-based contracts as opposed to set monthly payments
- Risk - is the service one that carries inherent risks, e.g. safeguarding risks associated with social care contracts
- Stage of commissioning cycle – will the contract be coming to an end in the next two years. Examination during this time will allow for lessons learned to inform the future approach
- Synergy with audit – is a review of the contract on the timetable for audit, or have audit recently conducted a review (contracts will then be moved down the list – and CMRG will look at how contract managers have implemented audit recommendations
- Strategically important – contracts that may not fulfil the above criteria but recognised as important to the council fulfilling its

strategic objectives e.g. Inward Investment Service (Locate in Kent)

4.2 In addition to items selected on the above basis, CMRG is also responsive to requests from Members, Committees and the Commissioning Boards. For example, the CYPS Cabinet Committee recently requested that the group review the Targeted and Specialist Mental Health Contract, and this will be incorporated into the timetable and will report back to the Cabinet Committee

4.3 The table below sets out topics discussed at recent meetings and the forthcoming items.

Date of CMRG	Contract	Lead Officer
29.01.19, 11.30am – 12.30	Adult Residential Care	Clare Maynard
14.02.19, 3pm – 4pm (Moved to March)	Inward Investment Contract - Locate in Kent Visitor Economy Contract - Visit Kent	David Hughes
26.02.19, 2pm – 3pm	School Building Contracts (to include Kier and Willmott Dixon)	Rebecca Spore
12.03.19, 3pm – 4pm	Targeted & Specialist Mental Health Service Contract	TBC
26.03.19, 1.30 – 2.30pm	Kent Community Health Foundation Trust – Psychosexual Counselling Services	TBC
April (date tbc)	Carers short break service Domestic Abuse Support Services	Tracey Schneider Emma Hanson/Melanie Anthony
April (date tbc)	ICES Lot 2 TECS Invicta Telecare Integrated Community Equipment Contract	Tracey Veasey, Mark Hogan & Jane Miller Tracey Veasey, Mark Hogan, Jane Miller, Clare Maynard
May (date tbc)	Fostering Placements Contract	Christy Holden

5. Next Steps

- 5.1 The Maturity Assessment matrix is currently being reviewed to ensure that it is fit for purpose.
- 5.2 Following this review, it will be used to inform the development of a Contract Management Standard and associated supporting documentation for contract managers.
- 5.3. The standard and maturity assessment tool will be used to shape the delivery of future contract management training modules, with the support of Learning & Development
- 5.4 Analysis is being undertaken to identify the current usage and issues with support systems for contract managers, which will then be used to develop a case for change.

6. Recommendations:

The Policy and Resources Cabinet Committee are asked to:

- iii) comment on the report and endorse the timetable of reviews; and
- iv) support the direction of travel for contract management identified in section five.

Background Documents

- Contract Management Review Group – Report to P & R Cabinet Committee
11th May 2018

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Background to the Contract Management Review Group

- 1.1 The Policy and Resources Cabinet Committee (PRCC) meeting of September 2016 considered and endorsed next steps to developing the Council's commercial approach through effective contract management practice. 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". It is arguable that contract management has historically received less attention than other phases of the commissioning cycle such as procurement whilst being equally important.
- 1.2 A sub-group of the Budget and Programme Delivery Board (BPDB) was subsequently convened and chaired by the Cabinet Member for Finance to undertake a series of contract management reviews. The objective of the sub group is to promulgate better practice that in turn improves value for money and management of risk. Membership of the sub group has developed over time and now includes those listed below and recognises the critical role of members in providing oversight and governance around the commissioning cycle.
 - Cabinet Member for Strategic Commissioning (Chair)
 - Deputy Cabinet Member for Strategic Commissioning
 - Deputy Cabinet Member for Finance
 - Head of Finance, Operations
 - Strategic Commissioner
 - Head of Commissioning Support
 - Commissioning Standards Manager
- 1.3 The CMRG adopted the National Audit Office (NAO) good practice contract management framework as the reference standard for its reviews. This framework identifies eight key contract management activities as follows.
 - Planning and governance
 - preparing for contract management and providing oversight
 - People
 - ensuring the right people are in place to carry out the contract management activities
 - Administration
 - managing the physical contract and the timetable for making decisions
 - Managing relationships
 - developing strong internal and external relationships that facilitate delivery
 - Managing performance
 - ensuring the service is provided in line with the contract
 - 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
 - Risk
 - understanding and managing contractual and supplier risk
 - Contract development
 - effective handling of changes to the contract
- 1.4 The CMRG used the framework to develop a contract management maturity assessment template for its reviews (Appendix 1 refers). Each contract owner completes the template and provides supporting evidence for submission prior to meeting the CMRG. The expectation is that contract owners should have the information required to complete the template readily available in some form or another as part of a day-to-day good practice approach to contract management.
- 1.5 Unlike an audit, the review process relies on self-assessment by the contract owner and the CMRG does not itself verify evidence and check source material. Contract owners do though sign to attest that the information provided to the CMRG is accurate and that they are accountable for it. The CMRG would refer a matter to internal audit should the need arise. Within the CMRG meeting the member led group provides a robust level of challenge and questioning to determine where improvements can be made in Contract Management practice.