

From: Peter Oakford, Deputy Leader
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To: Policy and Resources Cabinet Committee

Date: 10 July 2024

Subject: Update from the Contract Management Review Group (CMRG)

Classification: Unrestricted

Summary:

This report reflects on the work of the Contract Management Review Group following the re-launch of the Group under new Terms of Reference in September 2023.

The paper summarises the key outcomes and common themes emerging from the contract reviews that have been undertaken since the re-launch of the CMRG and assesses the impact that the Group has had in that time period. The paper also looks forward to the work programme of the CMRG for the coming six months and identifies opportunities to further improve how the Group can effectively contribute to raising the standard of contract management across the Council.

Recommendation(s):

Policy and Resources Cabinet Committee is asked to **consider** and **note** this report.

1. Introduction

- 1.1. The Contract Management Review Group (CMRG) was first convened in September 2016. Over the eight years since its inception, the Group has played an important role in identifying and championing contract management best practice across the Council, while highlighting areas for further improvement.
- 1.2. Following KCC's launch of a new Commercial and Procurement Division in September 2023, key changes were made to the Terms of Reference (TORs) of the CMRG, including to its core membership and its approach to reviewing the Council's contracts. These changes were made to enhance the commercial rigour, oversight, and assurance around KCC's strategically important contracts.
- 1.3. To set the context, the report summarises that revised approach to the CMRG, that was noted at Policy and Resources Cabinet Committee in November 2023. The paper then reflects on the key outcomes and common themes emerging from the reviews undertaken since the re-launch of the Group, assessing the impact that it has had during that time, and outlining the forward plan for the next six months with opportunities to further build on the impact of the Group.

2. A summary of the revised approach of the CMRG

- 2.1. Recognising the importance of delivering best value for Kent residents, KCC launched a new Commercial and Procurement Division in September 2023. The Division provides professional leadership across KCC's commercial and procurement activity, including commercial expertise on key contracts.
- 2.2. Considering the important role of the new Division to help ensure that there is effective contract management practice across the Council, it was decided that, under the new format, the Head of Commercial and Procurement should jointly chair the CMRG with the Deputy Cabinet Member for Finance. To further enhance the rigour of reviews and recognise the value of diverse contributions, membership of the Group was expanded to include not only commercial specialists but additional finance, legal, and cross-party Member representation.
- 2.3. Contracts are tiered by Officers based on a consideration of their strategic importance, value, risk, and complexity, with the CMRG reviews primarily focused on those contracts that have been assessed as being 'Gold' tier contracts. The Group assesses contract management practice against the NAO Good Practice Contract Management Framework. However, in addition to assessing the maturity of the contract management taking place, there is now a greater emphasis on scrutinising value for money, social value, transparency of decision-making, and internal and regulatory compliance.
- 2.4. The timing for reviews has been clarified as being at two points in the life of the contracts coming to the Group – their midway point and prior to extension. These are the opportune points to assess value for money, scrutinise performance and risks, and drive continuous improvement on our contracts. With the Commercial and Procurement Oversight Board scrutinising contracting proposals prior to tender, this revised timing of reviews undertaken by CMRG, also ensures that there is oversight throughout the commercial life cycle.
- 2.5. With regards to meeting frequency, the CMRG meets once per annum to agree the forward plan for the next 12 months. Thereafter, the Group meets every two months to review the contracting arrangements which have been identified.
- 2.6. The named contract manager, supported by their commercial business partner, leads the presentation at the CMRG. While the Group provides constructive challenge and advice and can recommendations around contract management, the responsible officers attending the Group are accountable for effective contract management to their Corporate Directors and Directorate Management Teams. As well as being communicated to those attending the meeting, the findings of the Group are communicated to the relevant Corporate Director and Cabinet Member, who are invited to attend the meeting, should they wish to.

3. Reflections on CMRG contract reviews undertaken since November 2023

- 3.1. The CMRG first convened under its new TORs in November 2023 and, since that initial meeting, the Group has met a total of four times, reviewing six contractual arrangements which are each of strategic importance to the Council. The contracts reviewed have covered the full span of services that KCC is responsible for delivering, ranging from adult social care, health and children's services, to those linked to major construction and infrastructure projects.

3.2. A summary of the contracts that have been reviewed is outlined below, alongside the point that they were considered and the key outcomes:

Date	Contract/s	Total Value	Review Point	Key Outcome/s
14.11.23	Kent Community Health Foundation (KCHFT) Trust Partnership	£38,000,000.00 pa	Mid life	Management of the contractual arrangements was positively received, but constructive feedback was provided on the potential future scope of the services and challenges made requesting clarification of cost breakdowns, evidence of efficiencies, and overall impact.
23.01.24	Household Waste Recycling Centres (HWRC) (two contracts)	£43,700,000.00 (including all potential extensions)	Prior to extension	Proposals to extend these contracts were considered by the Group and positively received, albeit with additional considerations recommended. It was noted that further Cabinet Committee engagement would be required and, since then, and in part based on the feedback from CMRG, it has been decided the contract will be re-tendered.
19.03.24	Independent Fostering Partnership (IFP) Framework Agreement	£44,400,000.00 (including all potential extensions)	Mid life	Management of these separate contractual arrangements were, on balance, positively received, but there was further information requested on cost breakdowns and the Group suggested there were unexplored opportunities for additional efficiencies.
	Safe Accommodation Support Service	£1,496,000.00 (including all potential extensions)	Mid life	
21.05.24	Emergency Tree Works	£4,000,000.00 (including all potential extensions)	Prior to extension	Proposal to extend was agreed in principle but the Group recommended an alternative period for the extension and requested additional benchmarking of price comparisons be undertaken.

3.3. The CMRG reviewed the above contractual arrangements against the NAO Good Practice Contract Management Framework, raising pertinent questions. As suggested in the above table, the challenge provided by the Group has

primarily focused on financial performance and value for money judgements, including the social value commitments being delivered on the contracts.

- 3.4. These discussions at the CMRG have often led to recommendations around cost savings, potential for income generation, and suggestions for continuous improvement, which Officers have committed to taking away and building in to future changes. Additionally, a common line of inquiry has been whether price benchmarking has been undertaken and, while there is some evidence of this being undertaken, where it has not been, the Group has requested this.
- 3.5. Furthermore, the CMRG has scrutinised the commercial and operational performance on the contracts, raising key questions to better understand information presented on supplier performance against KPIs. The Group has challenged where the information provided was not clear and required explanation and sought assurances that any drops in performance were properly addressed with mitigating actions to prevent re-occurrence.
- 3.6. Responses provided by those attending the CMRG have shown that contract managers generally have good performance monitoring mechanisms in place and a clear plan to address any issues or instances of underperformance. Further to this, it has been clearer that contract managers are often giving thought to the ongoing appropriateness of performance measures, targets, and considering opportunities for continuous improvement and innovation.
- 3.7. Governance and management arrangements in place around the contracts reviewed have also been considered. This has included ensuring that there is appropriate accountability for the contracts and suitable day-to-day management arrangements in place, authorisations, particularly for extensions, are correctly sought, and that there is strong risk management being followed.
- 3.8. In particular, the CMRG has asked probing questions on the economic and financial standing of suppliers, supplier profitability and dependency on KCC, and sought to ensure that Officers are adopting a commercial mindset when managing their relationships with suppliers. On these points, robust challenge has been provided with those attending directed to digital tools that can help them to assess the health and sustainability of suppliers, while support has been offered to assist Officers in having commercial conversations and to apply their commercial acumen when engaging and negotiating with suppliers.
- 3.9. The open and transparent discussions at the CMRG have been constructive. They have supported identification of the strengths in the Council's contract management and its key contracts, but also enabled areas for development to be highlighted and addressed in a positive and productive manner.

4. Future work programme and opportunities for continuous improvement

- 4.1. The below table summarises the future work programme for the CMRG, showing the contracts that will be presented to the Group up to November 2024. The contractual arrangements have been selected based on the criteria of strategic importance, value, risk, and complexity:

Date	Contract/s	Total Value	Review Point
09.07.24	Property Construction Partnership Framework	£500,000,000.00 (including all potential extensions)	Mid life
19.09.24	KCC Cleaning Services (Corporate)	£13,500,000.00 (including all potential extensions)	Mid life
05.11.24	Live Well Kent	£30,537,212.00 (including all potential extensions)	Mid life
	Community Based Wellbeing Service (lots 1-6 over 2 contracts)	£18,688,000.00 across both contracts (including all potential extensions)	Prior to extension

- 4.2. As has been outlined, the forward plan for the 12 months following the last meeting above will be agreed at a special meeting of the CMRG in the Autumn. As an action from the previous CMRG, which heard a presentation on the Safe Accommodation Support Service, this contract is expected to re-attend in January 2025 to offer an update to the Group on the recommendations made.
- 4.3. Moving forward, the CMRG will be increasingly important. As more contracts are considered and themes emerge across a larger number of reviews, the Group will not only influence continuous improvement on individual contracts. The findings of the Group will also begin to influence the shape of the Council's procurement policy and procedures, the priority training provided to Officers to improve practice, and where investment decisions may be required around our commercial and contracting systems, digital technology, and tools.
- 4.4. As well as extending the impact of the CMRG, we will continue to listen to feedback on how we can improve how the Group operates. Feedback to date has been broadly positive, with presenters seeing the benefits in attending the CMRG, especially prior to extension. Their feedback shows that they value the open discussions with the membership, recognise the importance of the constructive challenge, and value the advice and guidance received. Additionally, attendees have valued discussions on areas for improvements, but also appreciated the opportunity to showcase the strengths in their practice.

5. Conclusion

- 5.1. Since it was first convened eight years ago, the CMRG has played a critical role in identifying areas of strength in contract management across the Council, making a significant impact to ensure areas for development are addressed.
- 5.2. Following KCC's the re-launch of the Group in November 2023, with the professional leadership of the Commercial and Procurement Division, the CMRG remains an important mechanism to ensuring there is commercial rigour and strong oversight and assurance of contract management across KCC. Working alongside the new Division, the CMRG will continue to ensure KCC contract management practice remains of the highest standard.

6. Recommendation(s)

Policy and Resources Cabinet Committee is asked to **consider** and **note** this report.

7. Contact details

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