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To: Policy and Resources Cabinet Committee – 11<sup>th</sup> May 2018

Subject: Contract Management Review Group, 6-month progress review

Classification: **Exempt – not for publication. Paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended, refers**

**Summary:**

A sub-group of the Budget and Programme Delivery Board chaired by the Cabinet Member for Finance started a programme of contract management reviews in the 2016/17 financial year. The programme of reviews resumed in September 2017 for the 2017/18 financial year.

This report sets out how the programme is conducted, 6-month progress review, some high-level findings and feedback.

**Recommendation(s):**

Policy and Resources Cabinet Committee is asked to NOTE the report.

## 1. Introduction

- 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 includes those listed below and recognises the critical role of members in providing oversight and governance around the commissioning cycle.

- Deputy Cabinet Member for Finance
- Deputy Cabinet Member for Strategic Commissioning and Public Health
- Head of Finance, Operations

- Strategic Commissioner
- Director, Strategic Business Development and Intelligence
- Procurement Manager

## 2 Approach

2.1 The sub group named Contract Management Review Group (CMRG) adopted the National Audit Office (NAO) good practice contract management framework (para 8.1 details) 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

2.2 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.

2.3 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.

2.4 Contracts are selected for the review based on the following criteria; value (£), risk, complexity, synergy with Audit reviews, timings (for example when a contract is going to be re-commissioned/extended etc) ensuring a wide selection from the Council's activities are considered.

2.5 Post the review CMRG provides comprehensive feedback which includes suggested improvements and sharing of good practice. The contract manager and appointed

team members are invited to come back for further reviews, the timings for this are contract specific.

### **3 Progress**

- 3.1 The CMRG has so far considered twenty-eight contracts. Contracts have been chosen from across the range of services delivered by the Council.
- 3.2 A progress review was presented at P&RCC on 15th September 2017, which detailed strengths and issues to address in improving the Council's approach to contract management.
- 3.3 In addition to 3.2 the Kent Public Service Network (KPSN) contract was presented at P&RCC on 5th December 2017, the report set out the National Audit Office framework and self-assessment (that is completed for each contract) process and detailed some high-level findings.
- 3.4 The CMRG was asked to provide the detail of upcoming contract reviews planned till December 2018, this was presented on 2nd February 2018
- 3.5 On 16<sup>th</sup> March 2018 the Agilisys Contract was presented at P&RCC, this detailed the improvements of how the contract is being managed and highlighted the positive and well-established relationship between the commissioning and client teams.

### **4 Findings**

- 4.1 Overall the engagement between the CMRG and the contract managers has been very positive and successful in promulgating good contract management practice. It is not appropriate to make a sweeping generalisation about the standard of contract management in the Council other than to say that it is inconsistent; some contracts were stronger and weaker in areas relative to others.
- 4.2 The positives to come from the contract reviews are several and varied. In one instance for example, a contract, circa £1.1m (8.5%) per annum saving has been achieved further to the review by the sub group\*. Another positive is that the majority of contract managers have now attended the two-day contract management training.

*\* depending on prescribing patterns*

- 4.3 It should be noted that some contract management issues are a legacy from long standing contracts let before the transition to becoming a commissioning authority. Some good work has been done to renegotiate contracts but realistically some of the issues will only be addressed through the next commissioning cycle.
- 4.4 Strengths of the Council's approach to contract management are as follows: -
  - Contract management teams have strong in depth operational knowledge.
  - Application of the Council's governance requirements e.g. contract change control. There is a good level of procedural awareness.
  - Contractual remedies are generally being applied where available
  - There is a good strategic framework of 'Risk' that is embedded and identified in each contract

- Payment mechanisms are regulated, and invoices are processed on time and within the remit of the contract
- Next generation contracts reflect the lessons learned from previous endeavours
- 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

4.5 Issues to address in improving the Council's approach to contract management include the following: -

- Contract management teams would find it helpful to seek out comparison with other organisations and sectors more regularly (especially outside of Local Government) to better understand good contract management practice and just what can be achieved.
- Documentation relating to the contract needs to be improved and standardised. The intention is relevant and standardised documentation will be provided to contract managers as part of Strategic Commissioning structure.
- Bespoke forms of contract have been used when well established forms should have been used instead to avoid drafting errors, oversights and ambiguities for example Standard forms of contract also need to be embedded in the organisation, using central government guidance to ensure that consistency is the thread through the council's contracts in the future. This will form part of the new organisation 'Standards Manager' post, reporting to the Strategic Commissioner.
- Governance would be better managed if the level of governance was prescribed at the beginning of the contract, being clear with the governance arrangements at the outset would help with the board effectiveness. It should also be noted that the level of governance may also change during the life of the contract.
- Managing relationships with external partners although improving has some further developments within this arena to ensure that the council's objectives are shared and understood and that all providers are working towards common goals.
- More advanced training is required for contract managers. Basic two-day training has been delivered to 147 people, and one person has completed the full training programme run by the International Association for Contract and Commercial Management (IACCM) as a pilot. A comprehensive training and development offer has been developed for commissioners that includes more advanced contract management training. 15-20 people will undertake Level 4 of the Chartered Institute of Procurement and Supply (CIPS) programme for contract management that will utilise the apprenticeship levy.
- Good practice contract management arrangements to be put in place prior to award and commencement of the contracts. Commissioning policies and procedures are being updated and now include the contract management framework with the requirement that this is adhered to prior to award and commencement of contracts as appropriate. The requirement is to have to contract management guide/handbook completed in place for example.

## **5 Feedback**

5.1 As part of CMRG we have been asking officers and members for feedback to ensure that the process is effective and worthwhile, below is some feedback;

- 'As a new team this helped us to understand the contract and gave us confidence to make changes'

- ‘The process has been beneficial and the support pre-and post the meeting has been very useful for our understanding as a team on the NAO framework and expectations of us as Contract owners’
- ‘The CMRG group has been supportive in the meeting, suggesting ideas and posing questions that has made us think differently about the contract’
- ‘We have re-evaluated the contracts outcomes based on discussions at CMRG and made appropriate changes’
- ‘The whole process of CMRG; from pre-meetings, follow up meetings and feedback has been a positive and challenging experience’

## **6 Next steps**

- 6.1 The programme of contract reviews will continue using the same approach described previously. All contracts that have already been reviewed will be revisited to determine what progress has been made (paragraph 2.5 refers). The CMRG will continue to give formal written feedback to appropriate Corporate Directors and Cabinet Members for them to consider as appropriate
- 6.2 The recent appointment of the Strategic Commissioner and pending implementation of the new commissioning organisation will lead to improvements in commercial leadership and judgement regarding contract management, working in partnership with directorates and providers. An initial focus is on addressing the inconsistency mentioned in paragraph 4.5
- 6.3 On reflection there is further work to enhance how the CMRG continues to add value; with regards to contracts being referred from Budget and Programme Delivery Board (BPDB). In addition, playing a more active role at Commissioning Advisory Board (CAB) and Strategic Commissioning Board (SCB)

## **7 Recommendation(s):**

Policy and Resources Cabinet Committee is asked to NOTE the report and that a further progress report will be submitted in six months.

## **8 Background Documents**

- 8.1 National Audit Office good practice contract management framework

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

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