

## Regulatory and Audit Committee

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<b>Title:</b>	<b>Review of Contract and Supplier Relationship Management</b>
<b>Date:</b>	Wednesday 6 September 2017
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<b>Local members affected:</b>	All

*For press enquiries concerning this report, please contact the media office on 01296 382444*

### **Purpose of paper**

The purpose of this paper is to share the findings and recommend an action plan arising from an internal audit of contract management practices across the Council. It also includes further observations on the contract management operating model that have arisen during the review.

Responsible: Jonathon Noble, Director Commercial Services, Resources

Accountable: Neil Gibson, Chair Commissioning and Supplier Management Group

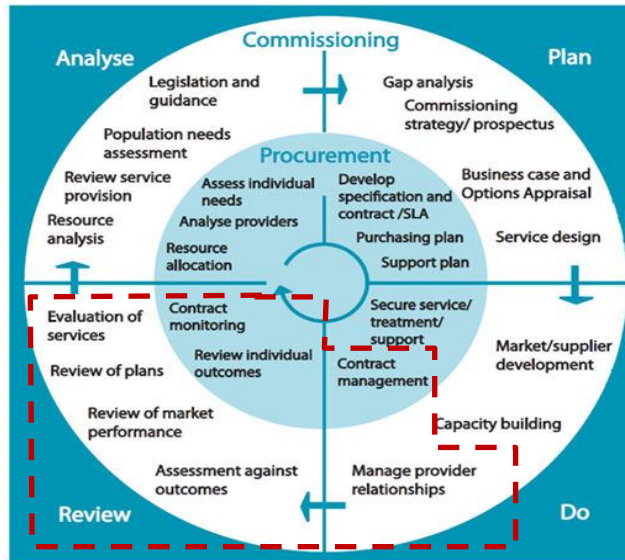
Consulted: Commissioning and Supplier Management Group

### **Background and context**

- 1. The Council spends around £290m a year (72% of its budget) with third parties,** making it a commissioning organisation by default. Not only is a significant proportion of its activities delivered through external markets and partners, but as it looks for more innovative ways of delivering services with reduced funding, commissioning and contract arrangements are increasingly complex and often entail higher risk.
- 2. While complex services can take up to 18 months to plan, design and procure,** contracts the council enters into will typically last 5+ years (and some significantly longer), meaning that our resources are locked into contractual arrangements for significant periods of time. Effective management of our contracts and development of collaborative relationships with our strategic suppliers and partners is key to:

- i. Ensuring good quality services for customers
- ii. Unlocking value for money and securing savings
- iii. Managing risk in services we do not directly deliver

3. This paper addresses our capabilities and required improvements around the activities associated with the contract management phase of the commissioning cycle:



Although other commissioning and procurement activities form part of the same, cyclical process, they are out of scope for the purpose of this improvement plan, which specifically addresses contract and supplier relationship management.

- 4. The Council first adopted a standard approach to contract management and Supplier Relationship Management (SRM) in 2011. The approach has been developed over time and is set out in the Supplier Management Policy document, with a single segmentation model, standardised processes and responsibilities, and supported by the Contract Management Application (CMA) system. A series of training courses have been run to establish and embed the practices contained in the policy. This investment has put in place a strong overall contract management infrastructure (policy, processes and systems) which can be considered mature when compared to other public sector organisations.
- 5. As part of this framework of activities, a best practice self-assessment is in place for contract managers, asking them to score the activities that support their contract on a scale of 1 – 5 across a range of themes. Internal Audit was commissioned to undertake a ‘second opinion’ review of these assessments, using guidance from the National Audit Office.
- 6. Among some examples of good practice, the audit revealed **high priority management actions required in 7 out of 7 key lines of enquiry:**
  - i. Contract governance
  - ii. Contract administration (including record keeping)
  - iii. Change management (including knowledge transfer when personnel leave)
  - iv. Value for money
  - v. Stakeholder engagement
  - vi. Market intelligence and market management
  - vii. Risk management

## Contract management improvement plan

7. The proposed improvement plan aims to address these weaknesses and ensure good practice is delivered more consistently across the council's £290m of contractual spend:

<b>High</b>	<ul style="list-style-type: none"> <li>• Utilising <b>supply market intelligence</b> to develop suppliers and the market generally</li> <li>• Improving the use of <b>supply risk management</b> practices and techniques</li> <li>• Managing contract management as a profession including <b>staff performance and career development</b></li> <li>• Clear structures and visibility of <b>governance and decision making</b></li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>• Consistent <b>understanding and expectations</b> of contract management activities and record keeping, at each stage of the contract lifecycle</li> <li>• Embedding <b>knowledge management</b> processes to improve sharing of best practices and lessons learned</li> <li>• Taking a balanced view of supplier performance to include <b>service improvement and stakeholder satisfaction</b> alongside cost considerations</li> </ul>
<b>Lower</b>	<ul style="list-style-type: none"> <li>• Controlling <b>change management and handover</b> processes between staff and at key stages through the contract management lifecycle</li> <li>• Using benchmarking and testing <b>value for money</b> through the life of contract</li> </ul>

8. A prioritised improvement plan has been developed to address these areas of focus and introduce the necessary changes to policy, processes and skills. The improvement plan includes relevant points from the recent ADVs review and other desirable enhancements to the policy identified by the Commissioning and Supplier Management Group (CSMG). The improvement plan will be managed by the SRM Lead, recently moved into Resources Commercial Services, and overseen CSMG.

## Resource implications

9. Following engagement with business units, the following resource requirements have been identified, *in addition to* the existing commitment from CSMG members of around 1-2 days per month on corporate contract management activity:

Workstream	Resource implications			
	Commercial Services	CSMG	BU Contract Manager	OD
Supply market intelligence	The SRM Lead role could deliver this programme of work but it is likely to require some short-cutting to do so. An additional resource (Range 7) seconded for the remainder of the financial year would provide capacity to deliver the programme fully.		5 days (Platinum only)	
Supply risk management			5 days (Platinum & Gold)	
Contract governance and decision making			2 days (Platinum & Gold)	
Staff performance and career development		5 days	2 days (Platinum & Gold)	5 days
Understanding and expectations of contract management				5 days
Knowledge management				20 days
Service improvement and stakeholder satisfaction		5 days	5 days (Platinum, Gold & Silver)	
Change management and handover		2 days		
Value for money				5 days

10. The additional Range 7 post requested on an temporary basis is a like-for-like replacement of a post deleted from the former Strategy & Innovation team which was the principal support to the SRM Lead, particularly on the development of the Contract Management Application. While it is possible to deliver the improvement programme without this additional capacity, the pace of improvement will be diminished; CMT is asked to give consideration to this, in light of the significant risks identified in the audit.

11. It should be noted that the SRM Lead post is currently vacant and this is an exceptionally hard to fill post (it has not been permanently filled in the six years since it was created) which may further impact the timetable of the improvement programme.

## Recommendation

**Regulatory and Audit Committee is asked to note the report and action plan, provide any recommendations for further improvements and advise on timetable for updates and further scrutiny**

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## Background Papers

Appendix 1 – Detailed Improvement Plan & Timescales

Appendix 2 – Contract Management Issues & Supporting Information

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