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Audit and Procurement Committee

22 January 2018

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources, Councillor J Mutton

**Director Approving Submission of the report:**

Deputy Chief Executive (People)

**Ward(s) affected:**

All

**Title:**

Contract Management Progress Report

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**Is this a key decision?**

No

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**Executive Summary:**

Over the last 4 years the council has delivered over £11.5m procurement savings and has covered all areas of council expenditure at least once, to ensure that appropriate procurement processes are used and contracts put in place. This means that when contracts are retendered, price savings are far less likely particularly with inflationary pressures starting to feed into the supply chain. This means that other tools and techniques need to be used to deliver further savings. Contract management is one of those techniques that ensures that what was tendered and agreed gets delivered and that there is no additional costs incurred as the contract is rolled out. In fact, through good contract management it should be possible to drive cost out of the contract through improved methods of service delivery or simply stopping doing things that are not adding any value.

In the last twelve months Procurement Services have:

- developed a contract management framework for the council which has been endorsed by Corporate Leadership Team (CLT)
- identified officers involved in contract management as part of their duties
- identified a suitable training provider for contract management and negotiation training
- started to deliver the training to key contract management, commissioning and procurement staff.
- Piloted the contract management framework on the Home Care Support contract.

**Recommendations:**

The Audit Committee are requested to:

- 1) Consider the action taken on contract management to date and agree the recommendations for future action.

**List of Appendices included:**

Contract Management Framework

**Background papers:**

None

**Other useful documents**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

**Report title: Contract Management Progress Report**

**1. Context (or background)**

- 1.1 Over the last 4 years the council has delivered over £11.5m procurement savings and has covered all areas of council expenditure at least once, to ensure that appropriate procurement processes are used and contracts put in place. This means that when contracts are retendered, price savings are far less likely particularly with inflationary pressures starting to feed into the supply chain. This means that other tools and techniques need to be used to deliver further savings. Contract management is one of those techniques that ensures that what was tendered and agreed gets delivered and that there is no additional costs incurred as the contract is rolled out. In fact, through good contract management it should be possible to drive cost out of the contract through improved methods of service delivery or simply stopping doing things that are not adding any value.
- 1.2 Local Partnerships conducted a review of contract management in 2015. There were many positive statements in their final report however, the two areas for improvement were:
- (a) “Development of the corporate approach to contract management and compliance needs work. Contract managers have differing views of the role of the central procurement team and it is suggested this leads to confusion. Contract management is organised as required by the service area and this means there is no common structure. Contract management skills are not identified as a requirement to be a contract manager and contract Managers do not share experiences and intelligence and senior management have not provided a means for this to happen.”
  - (b) “There are some good examples of comprehensive contract management operating but this is not universal. Some contract managers think the council is not good at challenging contractors. A high % of spend is covered by contract.”
- 1.3 After receiving this feedback research was carried out by Procurement Services to develop an appropriate corporate framework for the delivery of good contract management. The research showed that contract management in different markets requires different approaches e.g. a care contract would be managed differently from a construction contract although the commercial principles remained the same. It was important therefore for the framework to be flexible enough to accommodate different requirements. A document was drawn up and the final contract management framework (see Appendix 1) was agreed through the Procurement Board on 13<sup>th</sup> July 2017 after consultation with directorates and Corporate Leadership Team (CLT).

**2. Options considered and recommended proposal**

- 2.1 CLT considered two options for improving contract management, the first was a Centre Led Action Network (CLAN) with the Procurement Service acting as the centre supporting contract managers in Directorates with skills, tools and techniques and the second was to establish a specialist contract management team who would work with contract managers on specific contracts to improve delivery.
- 2.2 A SWOT (strengths, weakness, opportunities and threats) analysis was completed for each option and the CLAN option was chosen because although it might take longer to implement, it did not require any additional resource and developed the required skills within services giving more opportunity for benefits to continue to be realised in the longer term.

2.3 Since the contract management framework was approved, the Procurement Service have:

- (a) identified the officers who are involved in contract management
- (b) researched the market for appropriate contract management and negotiation training
- (c) run 2 training courses for 30 staff with courses planned for a further 50+ staff, including a shortened version of the training for CLT.
- (d) Begun a pilot implementation of the contract management framework on the Home Care Support contract in conjunction with Commissioning colleagues and initial feedback is that the pilot has been successful so far.

2.4 The proposal is that the Procurement Service continue to roll out the contract management training to identified staff, continue with the framework pilot and then conduct a review of outcomes before deciding on future priorities.

### **3. Results of consultation undertaken**

3.1 Internal consultation has taken place with contract managers, commissioners, CLT and the Procurement Board to agree the best way of implementing improved contract management for the council.

### **4. Timetable for implementing this decision**

4.1 Work has already started on improving contract management for the Council, with Audit and Procurement Committee's support this work will continue until benefits are realised.

### **5. Comments from the Director of Finance and Corporate Resources**

#### **5.1 Financial implications**

As stated in 1.1 it is more challenging to deliver significant price savings in the current market, therefore improving contract management in the organisation should contribute to reduced costs. Further work will be required by finance and procurement to capture benefits realised.

#### **5.2 Legal implications**

There are no direct legal implications of this report. Improving contract management should have the added benefit of reducing legal disputes as issues such as poor performance will be dealt with in a structured way giving contractors every opportunity to improve before legal action is taken.

### **6. Other implications**

#### **6.1 How will this contribute to the Council Plan ([www.coventry.gov.uk/councilplan/](http://www.coventry.gov.uk/councilplan/))?**

Improved contract management will directly contribute to two Council priorities "delivering our priorities with fewer resources" and "managing performance and measuring progress"

#### **6.2 How is risk being managed?**

Key contract risks that have been identified will be better mitigated through improved contract management.

### **6.3 What is the impact on the organisation?**

Roles and responsibilities for contract management in the council will be clarified and reinforced.

### **6.4 Equalities / EIA**

Improving contract management will not have a differential impact on service users and could potentially ensure that contract conditions are better enforced improving equality of opportunity for all.

### **6.5 Implications for (or impact on) the environment**

Any contractual requirements or conditions related to environmental impacts are more likely to be delivered through improved contract management.

### **6.6 Implications for partner organisations?**

Coventry CC will be sharing their learning on contract management with sub regional and regional procurement colleagues.

**Report author(s): /**

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