LOCAL PARTNERSHIPS

Government Commercial Function | Crown Commercial Service | Ministry of Housing, Communities & Local Government | Local Government Association

CONTRACT MANAGEMENT PIONEER PROGRAMME

Headline pack

PART OF CONTRACT MANAGEMENT SUITE OF TOOLS



PURPOSE OF THIS PACK

An overview of the challenges for local authorities in contract management and headlines on how to address those challenges through a council wide approach.

SECTIONS

Section 1:
Addressing the challenge

Section 2:
Contract management assurance board

Section 3:
Metrics and measures

SECTION 1: ADDRESSING THE CHALLENGE

One in every three pounds of public money, over £300 billion a year, is spent on public procurement[1].

Research[2] shows poor contract management can waste around 9% of an organisation's total budget per annum.

As a high percentage of spend is with third sector providers, effective contracting is essential to the council's performance.

The Procurement Act 2023 requires publication of performance information for the top contracts in each council.

Based on engagement with the sector there is evidence weaknesses across the local government commercial and procurement sector, leading to:

- Poor value for money.
- Pressure on commercial and procurement capacity.
- Weaknesses in contract performance.
- Non-standardised procurement processes.
- Need for strong leadership.

[1] Source: DLUHC – Transforming Public Procurement

[2] Source: UK based World Commerce and Contracting

Example of the issues

Only four of our top 20 contracts are currently reporting performance at or above contract requirements

We don't measure or report on overall performance for contract management... and we don't have performance information on most contracts

We don't have a governance structure that focuses on contract management

Our approach to contract management shows significant shortfalls vs CIPFA good practice

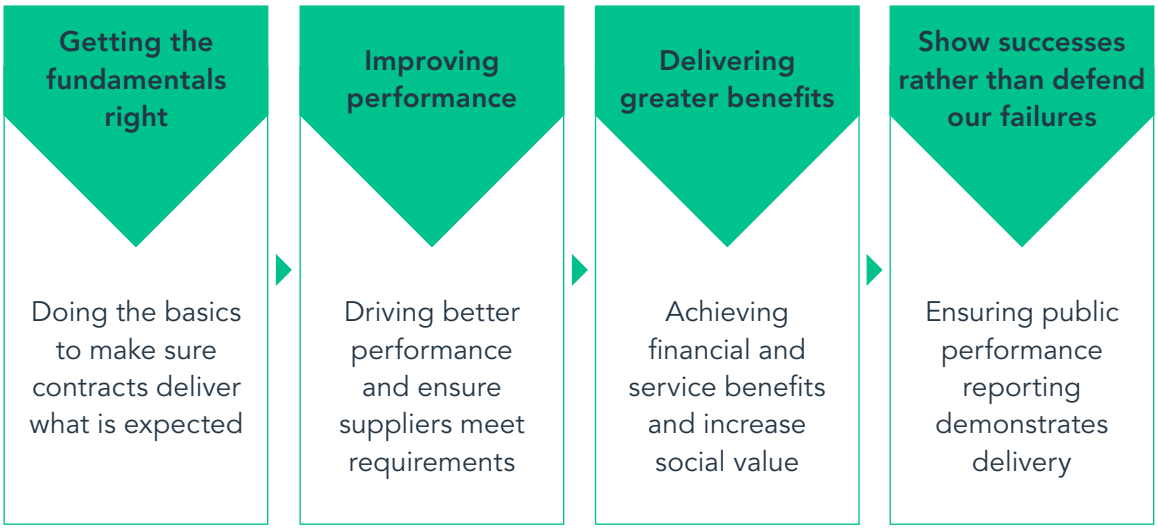
Public awareness of our top contracts is likely to increase demand for performance information on other contracts

In Local Government there is no substitute for doing the boring well.

Max Caller (intervention report on Northamptonshire County Council)

Delivering better performance on external spend

As council-wide priority there is the opportunity to create a structure for making significant, long-lasting improvements to contract management practice to deliver critical benefits for to residents.



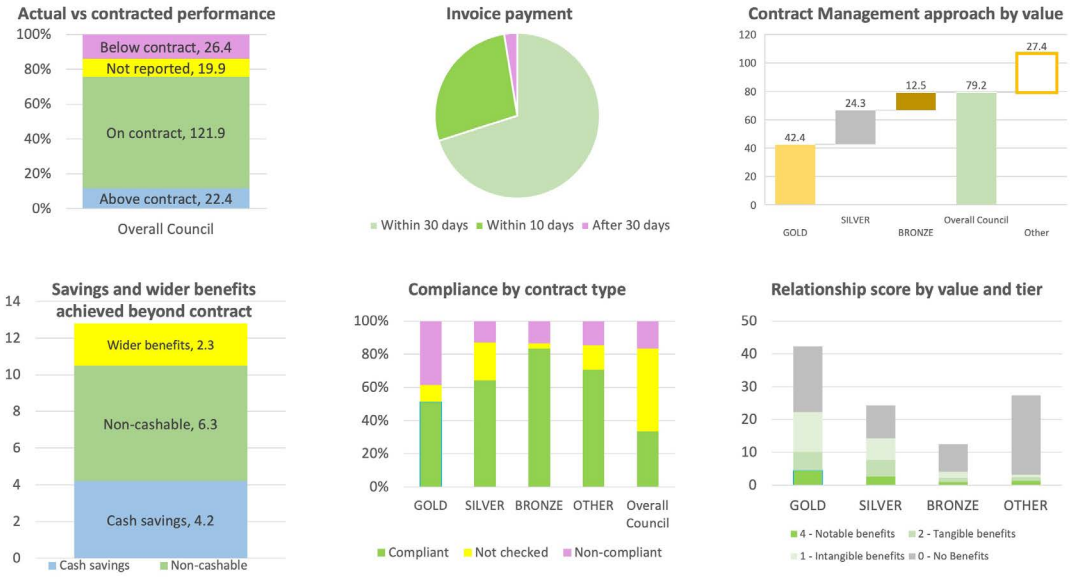
Addressing the problems

Significantly improve understanding of contract performance and how we govern external spend once contracts are signed.

Arming the council leadership team with information on contract performance and a clear understanding of good practice contract management.

CMPP programme is driving organisational change through training and support and advocating establishing an oversight board and assessing using metrics.

Performance metrics – providing oversight and show us where to focus action and/or promote good practice.



A Contract Management Assurance Board, with Senior Responsible Owners for contracts, can:

- Provide senior focus to drive improvements.
- Support sustained improvement of contract management processes.
- Ensure the process is followed for contracts across the council.
- Drive the results expected from contracts.

Implementation example

1. Quickly assess the top 20 contracts against fundamentals to see if performance and charging are in line with contractual obligations.
2. Review policy and approach vs best practice guidelines.
3. Provide critical insight for the Assurance Board to take informed action.
4. The scope increased to remaining contracts to understand performance and whether contract managers are properly equipped for their importance role.

Sample review plan

	April – May	June >	September
OUTCOMES			
Is performance in line with contract? outputs/volume, time, quality, social value etc.	Urgent assessment of top 20 contracts	Add extra 15 contracts per quarter	Review and consolidate approach
Are charges in line with contract?			
Do we pay on time?			
PROCESS			
Do we have the right contract management policy and approach?	Review approach and policy	Update as required	
Are we compliant to the approach/policy	Check current compliance	Check current compliance	
Are contract managers equipped?	Discuss for top 20 contract	Discuss for remaining contracts	

SECTION 2: CONTRACT MANAGEMENT ASSURANCE BOARD

Overview of contract management assurance board (CMAB)

AIM

To contribute to creating and maintaining a culture of high standards in the performance of contract management at each council.

CHALLENGE

Though various groups may exist to review and monitor contracts within the council, there may not be a defined governance route for supporting good contract management and/or challenging undue risk or concerns at an aggregated level.

OUTCOMES

Performance metrics will allow the council to determine whether contract management has improved as a practice across the organisation in addition to the board acting as a quality assessor for contract management.

The rationale for creating a contracts assurance board

- Consistent delivery across the council based on an agreed framework.
- Explore lost value in performance reporting.
- Provide oversight of risks to provide mitigation.
- Raise profile and professionalism of the commercial function.

Five points of good practice

1. Hold regular reviews and ongoing monitoring to reduce financial, reputational and strategic risks.
2. Allow for proportionate and effective, efficient monitoring which is easy to use and accessible for many.
3. Make best use of resources including procurement investment, making every pound count.
4. Build a repository for learnings for future commissioning and proposals, harnessing council spending for greater future effectiveness.
5. Create a dashboard of reporting that brings together an overview of contract performance.

Process for contract management assurance board

Pre-meeting	Meeting	Post-meeting
Select a sample of contracts based on tiering contract matrix that have been signed within the last 60 days. Complete Contract Management Good Practice Questionnaire completed. Review Actions from previous CMAB to be bought to the next meeting.		

Tools to support contract assurance

Document needed	Purpose	How to use
Light touch review	An initial review asking key questions about the management of individual contracts, resulting in an overview there are any areas of concern which need addressing.	
Self evaluation	Set of questions to assess whether the requirements of contract management are being sufficiently met. The aim is to support contract managers with any emerging issues and look at ways of addressing them. Highlighted risks can be raised with the assurance board.	
Deep dive conversation	To support contract managers in identifying and addressing emerging issues. The results, when combined with other deep dive conversations, can also give the assurance board a view of how contracts are being managed across the council.	
Contract risk tiering tool	Analysing and categorising the contracts to be prioritised and reviewed for the assurance board. It is a way to risk assess contracts based on cost and impact.	
RAID (risks, assumptions, issues and dependencies)	The RAID log records key risks and issues during the contract life cycle.	
RACI (responsible, accountable, consulted and informed)	The RACI illustrates roles and responsibilities in connection with the activities for carrying out the contract management.	
Performance dashboard	To provide an overview of results of the contract management function that can be presented to the assurance board.	

SECTION 3: MEASURES AND METRICS

Metrics

Good contract management is about taking informed action to achieve objectives.

Measuring the performance of contract management across an organisation is an important part of understanding how an organisation is managing a key part of expenditure. Whether there are opportunities to take action to improve contract management and drive better service delivery, along with other benefits such as cost savings or greater social value.

With the significant majority of a council's annual budget on external spend, it is impossible to deliver good quality services without supplier performing.

Using assessments of individual contracts can create an overall view the contract management culture.

The availability and use of information is a great test in its own right.

Metric are relevant to any council, even high performing contract management services.

Organisational metrics

OUTCOMES

Understand what the contract delivers for residents and what is being paid for. The most fundamental part of contract management.

PROCESS

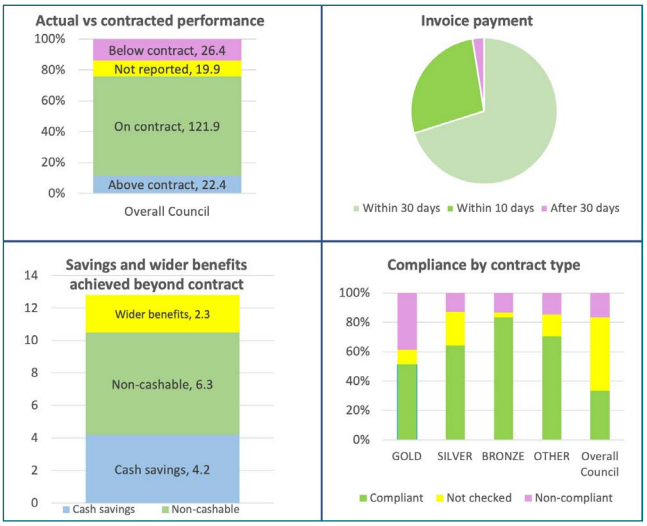
Understanding the contract management performance process in terms of approach compliance, coverage, capturing and using information to identify actions.

RELATIONSHIP

Understanding how the relationship with suppliers is performing with regards to delivering additional benefits beyond the contract.

Fundamentals	Improving understanding and performance
OUTCOMES	
Is performance in line with contract? outputs/volume, time, quality, social value etc.	**Are we achieving benefits beyond the contract obligations?** Cost savings, service level, increased social value, etc.
Are charges in line with contract?	
Do we pay on time?	
PROCESS	
Compliance with contract management policy	Detailed areas e.g. quality of forward/exit plans, proactive reviews of requirements.
Contract management knowledge	Process timescales, efficiencies and effectiveness.
Proactive risk management	Understanding the cost/benefit of contract management activity – overall and specific actions.
RELATIONSHIP	**Does the relationship deliver additional benefits?** Improved services, flexibility, innovation, responsiveness to changing service requirements.

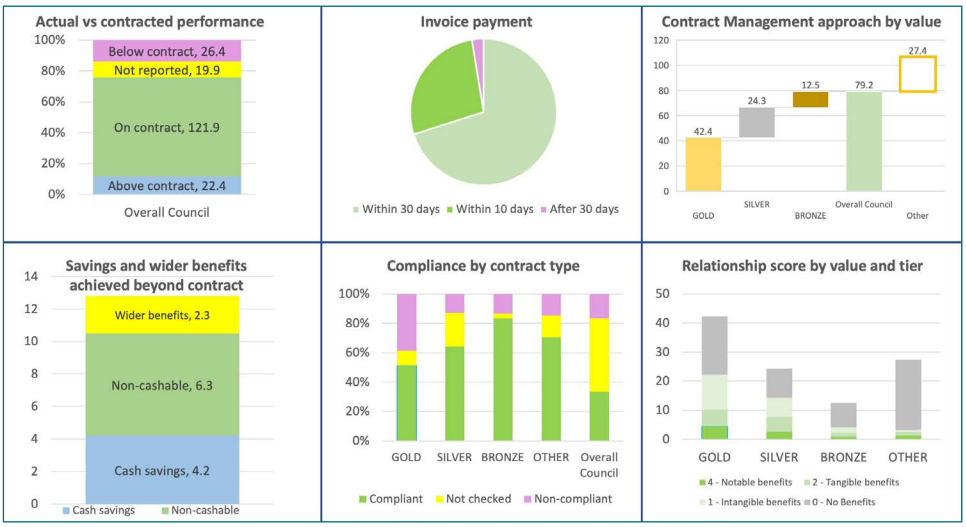
Sample of basic metrics



Having the fundamental data for individual contracts enables easy reporting at an organisational level to show performance…

…and better service performance and savings delivery can only happen contract-by-contract.

Further metrics



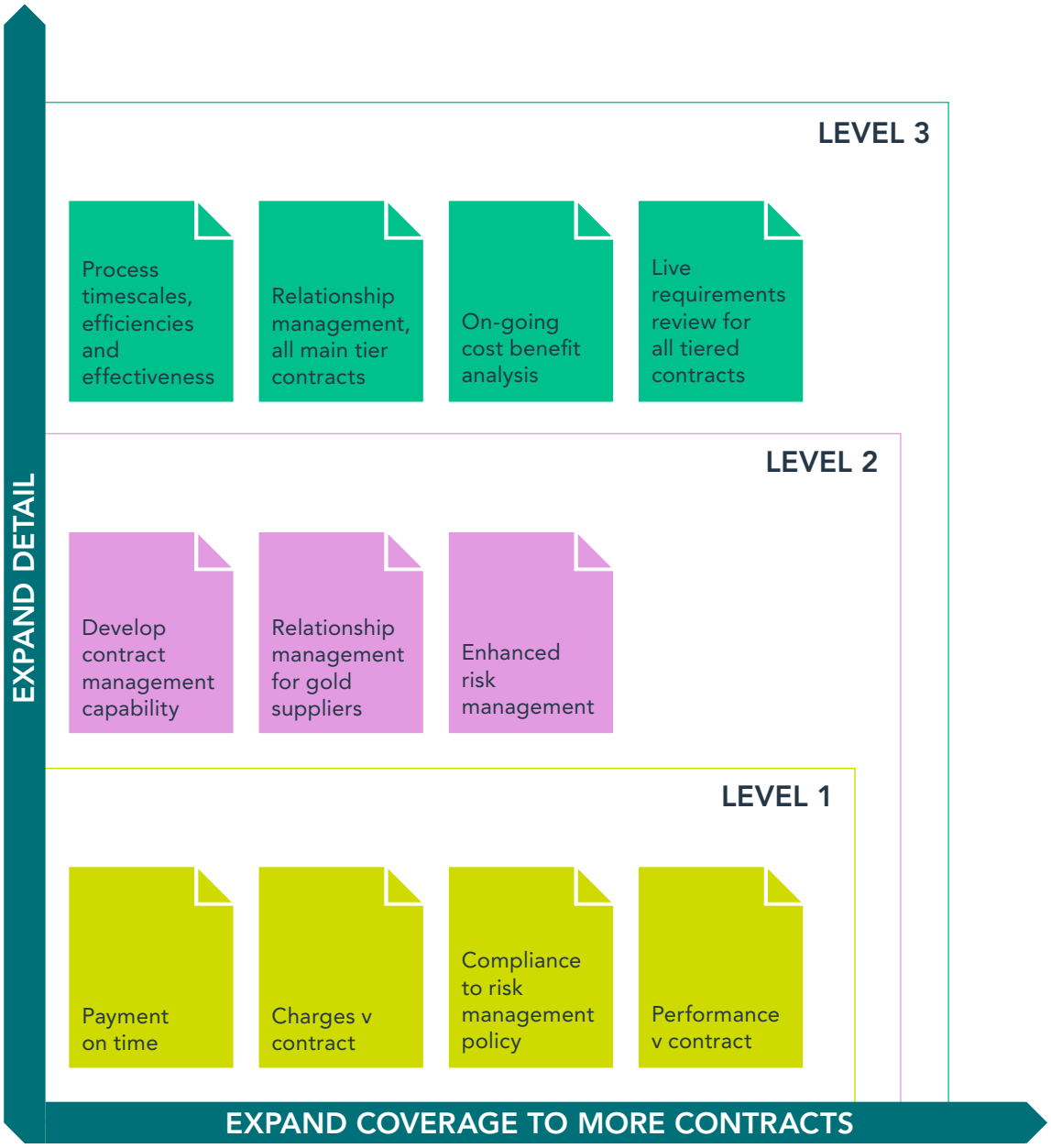
Measuring relationships



A reflection of the relationships between supplier and contractor is the delivery of the contract's KPIs, including social value.

A further measure is the additional benefits, where the supplier over-performs.

Building the approach over time



The detail and coverage can be expanded as the council matures its contract management capability.

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