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CONTRACT MANAGEMENT PIONEER PROGRAMME

Improving contract management capability

PART OF CONTRACT MANAGEMENT SUITE OF TOOLS



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WHY IS IMPROVING CONTRACT MANAGEMENT CAPABILITY IMPORTANT?

Local authorities have a variety of contracts with differing levels of financial value and commercial or organisational risk. With this number of contracts however, there is an opportunity for the delivery of better value and improved project outturn through professional and focussed contract management.

In some instances "commercial professionals" external to the organisation are employed to manage the most complex or high value contracts. However, most contracts are managed within the services, with responsible for managing millions of pounds worth of contracted spend. This places a great deal of importance on an "enabling and equipping" style of commercial leadership to deliver value across the organisation.

Effective contract management can contribute to creating and maintaining an organisational culture of high standards in the performance and delivery of its contracts. The financial and service delivery benefits that flow from this, can deliver efficiencies and reduce risks associated with value leakage.

WHAT ARE THE PRIMARY DRIVERS IN SUPPORTING CONTRACT MANAGEMENT GOOD PRACTICES?

Key headlines for consideration are set out below:

- **Clear roles and responsibilities and accountability for all contracts** – define roles, responsibilities, and accountability for contracts, specifying the contract manager through a Contracts Register and broader documentation such as a RACI (Responsible, Accountable, Consulted, Informed) matrix. The designated manager should take on accountability for successful delivery; if no manager is assigned, this should be escalated to the relevant senior manager or officer.
- **Provide tools and techniques to support contract managers** – offer a series of self-service tools to help contract managers answer key questions (including the Government Commercial Function training, but also bespoke issues to the council).
- **Communicate the advantages of effective contract management** – the contract management role is often carried out in an ad-hoc manner, with individuals having multiple responsibilities, and therefore may not be aware of the impactful opportunities and efficiencies generated through proficient contract management.

- **Develop a peer network of contract managers and a mentoring culture** – create space across the organisation for contract managers from diverse parts of the council to connect and problem solve. The peer network could be a good forum to develop one-to-one mentoring relationships (including within and across departments) and to find ways of incentivising and rewarding the development of others.
- **Create a culture of positive learning and challenge** – establish contract manager sessions to share best practice, learn from others and to create an environment of positive challenge across peers. This could be built on by setting up key contract reviews that include experts from teams from diverse parts of the organisation to bring a fresh pair of eyes to a situation. Use the breadth of the expertise in the council to really drive a positive culture.
- **Encourage engagement with external networks and benchmark performance** – exclusively seeking solutions internally reduces the potential for benchmarking against similar councils. Contract managers should be encouraged to develop solutions in external settings, such as peer networks.

CHANGING SKILLS

As a result of the Procurement Act 2023 there will be requirement of different set of skills in contract management, along with extra focus! Here are some of the drivers for new skills:

Increased flexibility	Notices and transparency	Most advantageous tenders	Change and terminations
Negotiation	Project management	Producing business cases – financial and not financial benefit	Analysis and data insights
Options assessment	Communications	Big picture overview	Audit trail and information management
Confidence and creativity	Stakeholder management	Strategic planning based on service needs and supplier potential	Risk assessment and mitigation
Mentoring and coaching – including suppliers to be adaptable	Information governance		
	Legal requirements		

PUTTING A CONTRACT MANAGEMENT FRAMEWORK INTO PRACTICE

A contract management framework is a good starting point for establishing a set of principles and policies. If there is already a framework in place, it is important to consider whether there is the mechanism for assessing contract management capability.

To achieve financial sustainability and to deliver on social economic outcomes, councils should consider investment in training programmes encompassing formal and informal skill development, alongside professional development opportunities.

To cultivate a highly skilled and effective contract management team, a comprehensive and centralised database which includes the following information could serve as a valuable asset especially when linked to the council's pipeline:

- The skills and knowledge of the contract manager.
- The tier of contract each contract manager is assigned to.
- Individual training and development plans to support ongoing professional growth.

An example of principles is found **here** from Crown Commercial Services Contract Management principles.

GETTING THE GOVERNANCE RIGHT

High performing councils often have strong and effective governance. It is important that effective organisational governance is embedded to enable the success of the contract management framework. This includes:

- An identified, influential and engaged senior responsible officer (SRO) – responsible for contract management across the organisation. It is essential that there is a senior level SRO is in place, that they are highly engaged in contract management activity and able to challenge and hold others to account when required.
- The contract management assurance board (CMAB) – councils should also consider developing a contract management assurance board, with responsibility for overseeing the implementation of the contract management framework across the organisation. CMAB should also be responsible for developing and refining the framework; its composition drawn from senior officers in directorates and corporate functions such as finance.

COMMUNICATING THE CONTRACT MANAGEMENT FRAMEWORK

To support the embedding of the framework within the organisation it is essential that there is a strong understanding across the organisation of its key elements and the opportunity for those engaged in contract management activity to engage with the framework. Therefore, it is recommended that the following is considered:

- Simple, easily accessible material should be developed to support effective communication of the framework across the organisation (e.g. five key points) and these should be communicated both generally across the organisation and targeted at contract managers.
- Bitesize training should be provided to existing and new contract managers on the use of the contract management framework, key principles and what it means for them in practice.
- Evaluating contract managers capability against the framework.

The contract management framework will set out a series of principles and practices that will support with contract tiering at the council and the level of capability of the contract manager required for each level of contract.

It is important to align your resources to the activities that will have the most impact. Consider assessing your resource capability across the organisation and make sure the highest risk/opportunity activity is being managed by the most appropriate resources (potentially a skills gap analysis.

Where the capability assessment identifies gaps, you should consider putting a targeted development and support plan in place which should be monitored regularly.

ORGANISATIONAL STRUCTURE

There is not a single "best" way of managing contracts as councils take a variety of different approaches from a single central function to a fully devolved model – with various hybrid approaches in between.

A centralised function is easier to ensure (and enforce) consistency of approach and use of contract management tools, but may be more removed from the operational nuances of the contract. This can be mitigated by strong engagement with the business and involving business representatives in management of the contract.

A devolved function tends to have greater understanding of the business objectives but has a lower level of organisational consistency (and is more susceptible to risks occurring in contracts without organisational visibility). This can be mitigated by a strong relationship with the commercial function of the organisation, and regular formal and informal "check points", particularly for strategic contracts.

The CMAB may set out a preferred approach for the council, but also accompanying mitigation strategies to reduce organisational barriers to high performance.

EVALUATING ORGANISATIONAL PRACTICE

Once the contract management framework is in place self-assessment would be useful. These assessments can be set against the core principles set out in the framework – conducted as a self-assessment or "deep dive" supported by a facilitator which could provide some challenge. The scoring of the assessments can then aggregated to give an overall view of contract management in the council.

Once the assessment against the principles has taken place, this will identify any need for learning/focus of energy – including:

- Themes and weaknesses across the council.
- Breadth of gaps in one particular directorate.
- RAG rating scoring to give an overview to inform areas of support and intervention.

Where gaps are identified the council may put in place some tailored activity to upskill the learning or improvement plans.

CULTURE AND LEADERSHIP

Developing a positive commercial and contract management culture is crucial to maximising the value of spend and the impact on residents and businesses. A supportive culture which challenges where required, is key to success.

At the heart of driving a positive culture is effective leadership at all levels, that demonstrates understanding of the value of effective commercial leadership and contract management. Engaging the chief executive, corporate leadership team, cabinet members, overview and scrutiny committees, other members and other stakeholders is an important part of driving a positive culture.

TRAINING SUPPORTING RECRUITMENT

The Government Commercial Function provides a range of accredited contract management training across each level: **The Contract Management Capability Programme 2022/23 – About the programme (HTML) – GOV.UK (www.gov.uk)**.

The council may wish to consider making the Foundation training available on the council's intranet site and putting in place a development plan for relevant contract managers to ensure they have access to the relevant level of training.

The offer of training will help with recruitment. This also provides an opportunity to pull from a diverse skills set – for example project managers have many of the same requirement of contract managers.

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