



# SLOUGH BOROUGH COUNCIL CONTRACT MANAGEMENT CHANGE

**Final report**

**35.16/17**

**13 September 2017**

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING





# CONTENTS

1 Executive Summary .....	3
2 Action plan.....	10
3 Background and Scope .....	18
4 Needs assessment.....	21
5 Baseline Assessment.....	26
6 Stakeholder Engagement.....	31
7 Contract management maturity against the good practice framework .....	33
8 Our recommendations.....	36
Appendix 1: List of Interviewees.....	67
Appendix 2: Glossary and definitions .....	69
Appendix 3: How the recommendations address Internal Audit concerns? .....	70
Appendix 4: Contract Management RACI Matrix .....	71
For further information contact .....	72

## Evidence of Review

Date of Document	Author	Revision Level	Reason for Change
15 July 2016	Manpreet Mahal	Version 1	Draft report
26 July 2016	Manpreet Mahal	Version 1.1	Draft report
21 August 2017	Manpreet Mahal	Version 2.0	Draft report

Date of Document	Revision Level	Approved By	Date of Approval
26 July 2016	Version 1.1	Walter Akers	29 <sup>th</sup> July 2016
21 August 2017	Version 2.0	Walter Akers	21 <sup>st</sup> August 2017
13 September 2017	Final report		

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Consulting LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Consulting LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report. RSM UK Consulting LLP is a limited liability partnership registered in England and Wales no.OC397475 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

# 1 EXECUTIVE SUMMARY

## 1.1 Introduction

This document reports the outcomes of a review of the contract management practices within Slough Borough Council (the Council). The review was commissioned in response to issues identified by Internal Audit in the Council's contract management practices. Because of the severity of some of the issues identified by Internal Audit as well as increased reliance on third parties to deliver the Council's business objectives, especially the Five-Year Plan (2016-2020), this review was structured to come up with recommendations to address the underlying issues and improve contract management practices in the future.

## 1.2 Objective of this review

The objective of the review was to develop a set of recommendations and an action plan for contract management improvements that can be implemented by the Council through its strategic lead, the Assistant Director (AD) for Procurement and Commercial Services.

## 1.3 Our approach

We adopted a three-staged approach to deliver the scope:

1. **Baseline assessment (first stage):** This stage focused on the following:
  - o Understanding the current contract management practices;
  - o Governance and activities;
  - o Roles and responsibilities;
  - o Contract Management capability and capacity; and
  - o The proposed and partially implemented restructure within Adult Social Care (ASC), Public Health, Highways and Transport, and Children's Services.
2. **Stakeholder engagement (second stage):** We have engaged with thirty-eight stakeholders to understand their perspective on contract management within their functions. In addition, we also obtained their views on partially implemented structures across the Council such as Procurement and Contract Management, Adult Social Care (ASC), Public Health, Highways and Transport and Children's Services; and
3. **Recommendations:** We combined the insights from the baseline and stakeholder engagement stage with our experience of working with other public sector bodies and best practice on contract management to come up with recommendations to improve contract management practices within the Council.

## 1.4 Key observations from our baseline assessment and stakeholder engagement

Our key conclusions from the baseline assessment and stakeholder engagement are consistent with significant findings from Internal Audit reviews and are summarised in the section below:

1. There are multiple and ambiguous **contract management governance** routes within the Council resulting in a lack of strategic overview of contracts and confusion amongst the stakeholders. This is having a detrimental impact on contract management across the Council (report ref: 5.1.2.1);

- 
2. There is no universal **contract management framework** from which to develop an optimised approach to managing contracts. This has resulted in an inconsistent application of contract management practices i.e. processes, activities, skills, capacity across various contracts; and a lack of contract management planning at the commissioning and procurement stage (report ref: 5.1.2.2);
  3. **Contract management roles** are not defined and there is a lack of clarity around who should be ultimately accountable for supplier performance. This has resulted in key contract management activities not being performed and responsibilities not being allocated (report ref: 5.1.2.3);
  4. Lack of planning, training and investment for **contract management capacity and capability** has led to not having enough people with adequate contract management skills and experience, to manage the contracts across the Council. This has led to weak contract management within the Council and poor value for money on some contracts (report ref: 5.1.2.4);
  5. **Contract risks and opportunities** are not proactively considered and managed as part of contract management across the council. This can lead to poor planning and an inability to mitigate key risks leading to service disruption and poor value for money (report ref: 5.1.3);
  6. There is a lack of established process to identify and manage **dependencies and interdependencies** between different business processes, contracts and various parts of the Council. This can lead to poor supplier performance and service delivery failures (report ref: 5.1.3);
  7. There is no single, comprehensive and up to date **contract register** within the Council. This has led to poor visibility of contracts and ineffective planning to renew and exit contracts. This has led to a risk of contracts being renewed automatically (report ref: 5.1.4);
  8. Previous **partly implemented contract management structures** will not drive the required level of contract management improvement. This is mainly because the restructure focused on bringing people together, rather than addressing the underlying contract management issues. For example; contract management governance and framework, roles, responsibilities and accountability (report ref: 5.1.5);
  9. At the time of our review, the **Adult Social Care (ASC)** restructure was only partly implemented. At a conceptual level, the proposed structure appears to address some of the existing contract management concerns (report ref: 5.1.6).

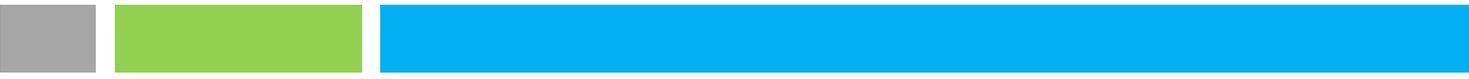
However, there are concerns, that the aforementioned issues such as contract management governance, framework and capability will not be fully addressed through implementation.

For example, it appears that the candidates for many posts are job matched internally rather than recruited because they had the adequate contract management skills and experience. Therefore, the extent to which their involvement will see a marked improvement in contract management is questionable; and

10. There are concerns that ten months after the launch of the Trust, the proposed **children's services** structure is yet to be fully implemented. We also noted an absence of a contract management post to manage Cambridge Education and other contracts within the function. These delays and gaps can have an adverse impact on contract management for the Trust and other contracts leading to poor value for money and inadequate service performance (report ref: 5.1.6).

## 1.5 Key recommendations

A series of recommendations have been proposed to remediate the issues found and move the Council up the best practice maturity level for contract management (see section 7). The proposed



recommendations were discussed with the Council's management and their response have been included in an action plan in section 2 of this report.

The recommendations have been referenced back to key Internal Audit concerns where possible, to demonstrate how these concerns could be alleviated if the recommendations are implemented effectively and in full (see Appendix 3).

### **1.5.1 CREATE a Corporate Contract Management (CCM) function (Section 8.1)**

The Council should set up a Corporate Contract Management function and create a Head of Contracts post, to provide strategic contract management direction across the Council in relation to the following:

1. Development and management of contract management framework and governance processes;
2. Contract risk management at strategic, operational and tactical level;
3. Contract management training and development; and
4. Take a lead in developing and planning for contract management from the commissioning stage for all future re/procurements.

The creation of a CCM will deliver many benefits, such as creating a consistent approach to managing contracts within the Council; shared good practices; a source of challenge, support and guidance; standard training processes and creating a culture which takes responsibility for contract management.

### **1.5.2 CATEGORISE the contracts (Section 8.2)**

The Council should develop a contract categorisation approach/tool and categorise contracts as High, Medium and Low. This tool should encompass a broad range of criteria (Section 8.2 Table 1) including the contract value, political interest, business value, potential impact, sourcing complexity, contractual complexity and performance assessment complexity.

Contract categorisation will enable the appropriate level of contract management resource to be allocated and ensure that contract management activities are proportionate to the potential benefit and underlying risks for contracts.

The process to categorise the contracts should start at the commissioning stage and the final decision should be approved by the Commissioning, Procurement and Contract Management (CPC) board, once established and fully operational.

### **1.5.3 ADOPT a good practice contract management framework (Section 8.3)**

The Council should adopt a Council wide contract management framework to ensure a consistent approach to contract management.

The implementation of proposed best practice contract management framework (Figure 5 section 8.3) in conjunction with contract categorisation (i.e. High, Medium, or Low) should enable effective and proportionate management of contracts and address concerns relating to poor contract management.

As a rule, most of the activities in Figure 5 should be performed on contracts categorised as High and should have a dedicated contract manager for the contract.

Contracts categorised as Medium or Low may only require some aspects of Figure 5 (Section 8.3) such as a focus on planning, ownership, payments, risks and performance etc. and may be managed by a contract manager who manages more than one contract.

#### 1.5.4 DECIDE which contract management model to implement (Section 8.4)

Further to carrying out detailed assessment of the centralised, de-centralised and hybrid contract management model, it is recommended that the Council should adopt the hybrid model for managing contracts (Figure 8 section 8.4.4).

Based on our experience, the required contract management change is best achieved by bringing together a corporate team and creating a CCM, headed by a Head of Contracts, reporting into AD Procurement and Commercial Services. This is also the most cost effective way of implementing the required change as it will avoid duplication of efforts, leverage synergies and implement change at speed. The hybrid model will allow the Council to have a robust strategic overview of its contracts and supplier performance.

The key features of the proposed hybrid model are outlined below;

1. A Head of Contracts post is created to set-up and manage the CCM as well as manage Business Partner posts for contracts which are categorised as High, Medium and Low;
2. ASC, including PFI, contracts are managed by the service but with clear reporting line requirements to the corporate contract management governance structure. The key reason behind this proposal is because this function has a recently established contract management team and it may be counterproductive to abandon the current approach and start again;
3. Children's Services contracts should continue to be managed by the function for the time being. We do have concerns about the fact that nine months after the Trust has been set up, there is still no contract management team. We do believe that adopting another approach to manage the contracts such as centralising the contract management function may not be effective at this juncture by nonetheless require revisiting in the coming period. This is because:
  - The Trust has been in place for ten months but based on our conversation with some key stakeholders, the relationship with the Trust is still in the process of being embedded in. There are still some operational issues which are being ironed out and the relationship between the Trust and the Council has not evolved from the transition phase to Business as Usual (BAU) phase;
  - The Children's Trust and some of the other Children's services contracts i.e. Cambridge Education, are not at the same point in the contracts life cycle as, for example, RMI which is a fully embedded function with a sizeable client team, has clarity around the current structure at a senior level and the contract itself is currently going through the procurement process with a clear understanding of contract management outcomes. Therefore, involving a new team to manage children's services contract may not speed up the implementation of the contract management team and practices for this function; and
  - There is still uncertainty about the future structure of the Council at a senior leadership level, in particularly, with respect to where the statutory responsibility will be placed and delivered for the Children's Services function, In the absence of this clarity, we are not able to decide on the contract management model which is fully aligned to the strategic direction and therefore there is a need to revisit this once there is clarity about the future structure of the organisation.
4. The effectiveness of the proposed contract management structures and functions within ASC and Children's services should be reviewed before the end of 2016. If the review concludes that the current structures are not working, then the Council should consider a different approach to managing these contracts including centralising within Procurement and Commercial services as outlined in figure 8 (Section 8.4.3);
5. Other contracts such as arvato, RMI, Leisure and Matrix should be managed by the CCM team within the Procurement and Commercial services division within the Council;

- 
6. Environmental services and FM should continue to be managed within Procurement and Commercial Services with the respective contract managers reporting directly to the client leads for Waste and FM respectively. This is mainly due to a lack of clarity around the future direction for this service. This should be reviewed once there is further clarity. If appropriate, consideration should be given to the contract management functions moving into CCM;
  7. The management of the parking contract should remain with the Head of Parking, as the current contract management activities are intertwined with her role as a service head. However, corporate direction and guidance should be followed in the areas of reporting, contract management framework, training and Learning & Development.

In addition, the current contract management arrangement should be reviewed before the end of 2017, to ensure it is effective with a view to bringing it into the CCM function, if contract management issues are identified;

8. The Council should conduct a due-diligence process on the contracts not mentioned here, to establish the best fit for them;
9. The size and location of the client team should be determined as part of the contract management planning process; and should be considered on a case by case basis;
10. For contracts with a Thin client function, the budgets should be transferred to the AD for Procurement and Commercial Services; and the client team should also be transferred to the central function, if most of their time is spent on contract related activities;
11. For Thick client contracts, where a decision is made to bring the contract management responsibility into the CCM, or the client team, accountability for supplier performance and budget should remain within the functions;
12. The client teams currently within Procurement and Commercial services i.e. FM and Waste, should report directly to the AD of Procurement and Commercial Services and not the Head of Contracts, to ensure a healthy tension is created between the client and contract management functions;
13. CCM must become the strategic lead for all contract management activities both central and decentralised; and must offer support, guidance and challenge to the contract managers. Additionally, CCM must take on responsibility for holistic data collection, information and communication on contracts across the Council; and
14. The Head of contracts, together with the contract managers, client lead and accountable officer should present the supplier performance reports to the proposed Commissioning, Procurement and Contracts board.

#### **1.5.5 ADOPT a consistent contract management governance (Section 8.5)**

The Council should adopt the following contract management governance structure across the Council which should enable strong decision making and should hold suppliers to account for poor performance.

**Level 1: Cabinet Member Role:** To champion contract management at political and strategic level, to ensure enhanced focus on contract management and supplier performance.

**Level 2: Strategic contract management governance:** The Council should define a senior accountable officer for each contract categorised as High or Medium. This officer must be accountable for the delivery of business strategy, benefits, supplier performance and is ultimately responsible for the decision making for contracts categorised as High or Medium



In addition, the Council should progress with its plan to develop the CPC (Commissioning, Procurement and Contract Management) board and consolidate the various governance structures/meetings into one to provide a holistic challenge and monitoring of all commissioning, procurement and contract management activities.

**Level 3: Contract management governance for each contract:** The Council should adopt a standardised governance structure which is flexible for application to all contracts as recommended in Table 2 (Section 8.5.3).

**Level 4: Individual contract management roles and responsibilities (R&R):** The Council wide roles i.e. contract manager, accountable officer, client lead etc. need to be defined and communicated to all teams and stakeholders.

The key contract management activities should be mapped and ownership should be determined using a Responsible, Accountable, Consulted and Informed (RACI) matrix. A suggested RACI template which incorporates the Good Practice Contract Management Framework as outlined in Figure 5 in section 8.3 is included in Appendix 4 of this report.

#### **1.5.6 INVEST in commercial capability and capacity (Section 8.6)**

The Council should clearly define the contract management skills and experiences required for contract management roles and actively recruit or train to acquire these skills within the organisation.

The required level of resources should be deduced by the categorisation of the contract, but the exact size of the team should be determined on a case by case basis, considering whether the client team is thick or thin, the complexity or the size of the contract and lastly, the output from the RACI matrix (see Appendix 4).

#### **1.5.7 MAKE risk and opportunity (R&O) management an integral part of contract management (Section 8.7)**

Risk and opportunity (R&O) management should become an integral part of contract management and be managed by the Head of Contracts.

The Council should analyse, mitigate and manage contract related risks and opportunities throughout the contract's life cycle.

The Council should also analyse opportunities throughout the contract life cycle in order to capture additional value and to ensure dependencies and interdependencies are captured and managed.

#### **1.5.8 CONSIDER investing in a contract management system (Section 8.8)**

The Council needs to ensure that a single and comprehensive contract register and database is created and is owned by the Head of Contracts.

As the Council moves up the contract management maturity level (Figure 4 section 7), it should consider investing in a contract management system. This will assist in implementing an improved contract management function.

#### **1.5.9 AVOID the implementation pitfalls (Section 8.9)**

The action plan in section 2 should be managed and delivered as a formal project to ensure effective implementation. Key points to consider are outlined below:

1. **Secure** leadership from the top in terms of who will sponsor the change. This should be communicated as widely as possible;
2. **Involve and secure buy-in** from key stakeholders across the Council;

- 
3. **Appoint a high calibre** project manager to oversee the implementation;
  4. The project manager should first define the **full scope** (e.g. one function or the entire Council and the type of contracts) and the **approach to implement** the recommendations;
  5. Continuous and clear **communication** on the proposed plan, key milestones achieved, key success stories, how to get involved, continuous feedback and what happens next etc.;
  6. The delivery against the project plan should be **monitored and communicated** alongside obtaining feedback from users and stakeholders;
  7. **Appoint** change champions across the Council;
  8. Stakeholders should be supported during the change process by providing adequate **guidance, tools and training**; and
  9. Effective **risk management** should form part of implementing recommendations.

## 2 ACTION PLAN

Ref:	Title	Recommendation	Report reference	Management response	Responsible person	Deadline
1	CREATE a Corporate Contract Management function (CCM)	<p>The Council should establish a Corporate Contract Management function regardless of the decision around the contract management model i.e. centralised, de-centralised and hybrid; and</p> <p>A Head of Contracts post should be created to implement and manage the CCM.</p>	8.1	This will be taken forward as part of the overall Council restructure. The Head of Contract Management will report to the Service Lead Governance.	Neil Wilcox – Assistant Director, Finance and Audit	Dec 2017
2	CATEGORISE the contracts	<p>All Council contracts should be categorised as High, Medium or Low based on a comprehensive criterion.</p> <p>The process of categorising contacts should start during the commissioning stage and the final decision should be ratified by the Commissioning, Procurement and Contract Management (CPC) board.</p>	8.2	<p>This recommendation will be addressed as part of Contract Management Guidance which is currently being developed.</p> <p>The recommendation around ratification of contract categorisation will need to be considered as part of the new governance team.</p>	Neil Wilcox – Assistant Director, Finance and Audit	Dec 2017
3	ADOPT a good practice contract management framework	To ensure contracts are managed in a consistent and robust manner, a Council wide contract management framework	8.3	This recommendation will be addressed as part of the contract management guidance	Neil Wilcox – Assistant	Dec 2017



		should be applied to manage contracts across the Council.		which is currently being developed.	Director, Finance and Audit	
4	DECIDE which contract management model to implement	<p>We recommend that the Council adopts a hybrid approach to manage contracts, where some contracts are managed under the corporate umbrella and others are devolved to the services.</p> <p>A periodic review of the hybrid approach should be carried out to ensure that the model is working effectively and re-considered if issues are identified.</p> <p>In addition, a robust due-diligence process should be carried out on contracts which are not categorised as High before a decision is made as to where the responsibility for managing these contracts should sit.</p>	8.4	<p>The Council believe that service areas are responsible for effective delivery of services and robust contract management.</p> <p>However, this rule will be reviewed on case by case basis.</p> <p>For now, Housing repairs and maintenance contract will continue to be managed within Neighbourhood Services division. The <i>status quo</i> will be maintained for other contracts.</p> <p>The review of the effectiveness of current contract management arrangement will form part of Head of Contract's remit. The report from this review will be presented to appropriate governance structure.</p>	Neil Wilcox – Assistant Director, Finance and Audit	March 2018



5	DECIDE which contract management model to implement	For contracts, which are not managed by the Corporate function such as ASC, Children's services and Parking, we recommend that:	8.4	Recommendation 1,2,4 and 5 will be partially addressed as part of Contract Management guidance which is currently being developed.	Neil Wilcox – Assistant Director, Finance and Audit	March 2018
		<ol style="list-style-type: none"><li>1. The contracts are managed in line with the guidance and contract management framework issued by the proposed Corporate Contract Management function;</li><li>2. The underlying governance structure for key contracts should replicate the proposed governance structure for other contracts where possible i.e. Strategic, Operational and Tactical- (See section 8.5)</li><li>3. The contract management team should follow the clear reporting requirements to the Council wide CPC (Commissioning, Procurement and Contract Management) board;</li><li>4. The functions should follow the approach proposed in this report to categorise the contracts, to ensure the contract management activities are proportionate to the underlying risks and opportunities;</li><li>5. The functions should feed into the contract risk register which should be maintained by the CCM;</li><li>6. The functions should follow the contract management training</li></ol>		Recommendation 3, 6 and 7 will be considered as part of the overall Council restructure.		



		<p>developed by the CCM and L&amp;D team; and</p> <p>7. The effectiveness of the proposed structures in improving contract management is reviewed before the end of 2016 with a view to consider alternative options, such as centralisation, if contract management issues are identified; particularly in respect of ASC and Children’s services.</p>				
6	ADOPT a consistent contract management governance	<p>A consistent and Council wide governance structure should be in place to manage contracts. The governance structure needs to be established at four levels:</p> <p>Level 1: Contract Management needs to be included within a Cabinet Member’s portfolio as a separate function.</p> <p>Level 2: A Council wide end-to-end governance structure which deals with the contracts across their life-cycle need to be established. The proposed CPC board may meet this need. In addition, an accountable officer should be appointed for each contract</p>	8.5	<p>Level 1: The Councillor who is responsible for procurement governance may also take on Contract Management. This will be considered in the future.</p> <p>Level 2: This will be considered as part of the overall council re-structure.</p> <p>The accountability point and Level 3 points will</p>	<p>Neil Wilcox – Assistant Director, Finance and Audit</p> <p>Neil Wilcox – Assistant Director, Finance and Audit</p>	<p>March 2018</p> <p>March 2018</p>



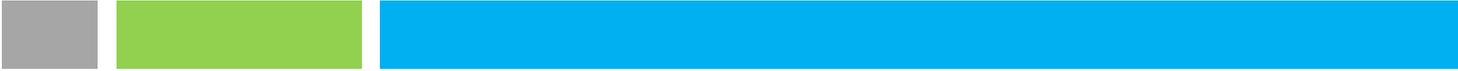
		<p>categorised as High or Medium. The accountable officer should be ultimately responsible for supplier performance.</p> <p>Level 3: The contracts need to be managed at strategic (annual/quarterly), operational (monthly) and tactical (weekly) level. This governance structure needs to be embedded within each contract document where appropriate.</p> <p>Level 4: Contract Management activities need to be defined using the Good Practice Contract Management Framework. The roles and responsibilities for each contact should be clearly defined using RACI. A proposed template for this purpose is included in Appendix 4.</p>		<p>be built into the overall CM guidance which is being developed. The implementation will be reviewed as part of Contract Management Head's review of contracts.</p> <p>Level 4 key points will be built into the contract management guidance which is being developed. The implementation needs to be reviewed as part of on-going contract management reviews.</p>	<p>Neil Wilcox – Assistant Director, Finance and Audit</p>	<p>March 2018</p>
7	INVEST in commercial capability and capacity	<p>The Council should ensure that high calibre staff with appropriate contract management skills are trained and recruited to manage the contracts. The contracts assessed as High or Medium should have the most capable resources allocated to them.</p> <p>Sufficient dedicated contract management resource should be in place to implement robust contract management as well as deal with <i>ad-hoc</i> project and contract management requirements. The resources should be allocated in accordance with the contract categorisation as set-out in section 8.2.</p>	8.6	<p>This will form part of Head of Contract Management's remit when recruited.</p>	<p>Neil Wilcox – Assistant Director, Finance and Audit</p>	<p>March 2018</p>



8	MAKE risk and opportunity management an integral part of contract management	<p>Analysis and management of contract risks and opportunities should be a driver for many of the contract management activities. The Council should ensure that:</p> <ol style="list-style-type: none"><li>1. Council wide risk management processes for contracts are owned by the Head of Contracts;</li><li>2. Risk analysis processes are carried out consistently on all contracts. Performance, commercial, reputational, supplier and service failure, business continuity, supply chain, financial, political risks must be identified (amongst others) and actively managed to ensure controls are in place for mitigation and monitoring;</li><li>3. Risk management reporting should be part of the contract and supplier performance reporting for individual contracts as well as for the Council wide risk management reporting;</li><li>4. The R&amp;O management process should be reviewed against best practice to ensure it has sufficient flexibility to accommodate differing levels of contract complexity;</li><li>5. The process should be communicated to all contract management stakeholders to ensure responsibilities are understood; and</li></ol>	8.7	<p>The key points will be captured within CM Guidance which is currently being developed.</p> <p>The implementation and review of this recommendation will form part of Head of Contract's remit once recruited.</p> <p>In addition, it will be considered as part of 4Risk project which is currently on-going.</p>	Neil Wilcox – Assistant Director, Finance and Audit	March 2018
---	--	---	-----	--	--	------------



		6. End-to-end service delivery process should be understood and any dependencies and inter-dependencies should be captured and managed as part of the R&O management process.				
9	CONSIDER investing in a contract management system	<p>1. The Council should ensure a comprehensive contract register is created and is owned by the Head of Contracts; and</p> <p>2. As a minimum, the Council will need a Contract database to store contracts and contract related documents but as the Council moves up the maturity level, it should consider investing in a contract management system.</p> <p>This will assist in implementing an improved contract management function. If a decision is made to invest in a system, the Council should carefully consider its requirements before procuring/implementing such system.</p>	8.8	This will be considered as part of on-going development of Contract Management improvement. It will form part of Head of CM's remit when recruited.	Neil Wilcox – Assistant Director, Finance and Audit	March 2018
10	AVOID the implementation pitfalls	<p>To ensure that contract management practices is delivered successfully and effectively, the Council needs to ensure that:</p> <p>1. buy-in from senior leadership and key stakeholders is secured;</p>	8.9	The key points from this recommendation will be considered during contract management implementation.	Neil Wilcox – Assistant Director, Finance and Audit	March 2018



2. implementation of recommendations should be managed as a programme;
3. high calibre dedicated resources are committed to implement the recommendations including a dedicated Project Manager;
4. effective risk management should form an integral part of the change programme; and
5. getting the basics right, such as complete and comprehensive contract register and spend analysis should be prioritised.

## 3 BACKGROUND AND SCOPE

### 3.1 Background

This report sets out our key findings from the review of contract management practices carried out by RSM in conjunction with Slough Borough Council. The report is an advisory report commissioned with a view to assist the Council in their objective to improve contract management across the Council.

### 3.2 Council's objective

The Council wants to ensure that the contract management is designed effectively and provides a framework that will help meet the outcomes of the five-year plan, support the need for cash releasing and non-cash releasing efficiencies and resolve the concerns of key Internal Audit findings relating to contract management.

In addition, the Council wants to consider which of the following three options is best for Slough Borough Council to develop and enhance its contract management capability and capacity:

**Option 1:** Centralise contract management through the creation of contract management specialists that link into services as business partners, leaving a clear line between service clients that administer and monitor services and associated contracts; and business partners that strategically manage contracts through a strategic governance framework.

**Option 2:** Operate a completely decentralised approach to contract management whereby services administer, monitor and manage contracts at a local level through a strategic governance framework, with strategic support from a centralised procurement and a contract management team.

**Option 3:** Develop an alternative model based on a hybrid approach of the aforementioned models and/or based on the research of models adopted by other Local Authorities; particularly those of a similar size to Slough Borough Council.

### 3.3 Review objective, scope and approach

The objective of the review was to develop a set of recommendations and an action plan for contract management improvements that can be implemented by the Council through its strategic lead, the Assistant Director (AD) for Procurement and Commercial Services.

The review was carried out through joint working with existing staff within Procurement and Commercial Services and key stakeholders from across the Council.

We adopted a three-staged approach to deliver the review. The three stages are outlined below:

1. **Needs assessment:** What are the Council's overall contract management requirements?
2. **Baseline assessment:**
  - a. Understand current contract management governance, activities, roles and responsibilities, capability and capacity issues;
  - b. To what extent risk management is an integral part of contract management?
  - c. A health check of the Council's contract register;
  - d. A high-level review of the previous procurement and contract management restructure proposal which was partly implemented; and

- e. Consider contract management implications of the Adult Social Care, Public Health, Highways and Transport, and Children's Services restructures.

### 3. Stakeholder engagement:

We engaged with thirty-eight stakeholders (see Appendix 1) across the Council to understand their thoughts on the partly implemented contract management restructure and Internal Audit concerns.

Additionally, we discussed the contract management practices in their respective areas and their views on what is working well and what may need to change.

Additional time has been spent with Adult Social Care and Children's Services to better understand the proposed structures and how they are being implemented.

### 4. Output from the review: Recommendations to improve contract management

We have commented on the key themes emerging from our baseline assessment and stakeholder engagement. The insights from the first two stages were combined with good practice contract management framework and our experience of working with other organisations to make recommendations on contract management improvements covering:

- a. **Strategy:** How the Council sets out to achieve its desired objectives through procurement and contract management;
- b. **Structure:** Define the contract management hierarchy within the Council, including the governance structure;
- c. **Process and activities:** A Council wide set of contract management activities and tasks that, once completed, will accomplish the Council's contract management strategy. Essentially this should set-out Slough's way of managing contracts both operationally and strategically;
- d. **People:** In light of the Council's contract management needs assessment, this section will comment on the potential capability and capacity gaps which the Council will need to address, to improve contract management;
- e. **Systems:** This consists of the key system enablers, including but not limited to document management, easy access to contract financial and non-financial information, life-cycle contract management activities, contract management diary/scheduling etc.; and
- f. **Implementation challenges:** Outline the key challenges the Council may face in implementing the recommendations from this report.

## 3.4 Limitations of scope

The following limitations apply to the scope of our work:

1. The outcome of the review and the findings of the report do not constitute an audit opinion, and were not designed to provide assurance over the effectiveness of current contract management practices, governance structure and team structure (implemented and proposed);
2. The review did not involve a detailed review and validation of specific contract management processes;
3. We did not test our recommendations with end users and therefore may need to be refined and adjusted during the implementation stage; and



4. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## 4 NEEDS ASSESSMENT

The section below explores the key drivers behind contract management change within the Council and sets out key requirements to deliver the necessary change at a high level:

### 4.1 Introduction and key drivers behind the desire to improve contract management

The Council relies heavily on third parties to deliver services on their behalf. Contracting has become an integral part of the way the Council conducts business. Contracting activity ranges from straightforward procurements that can be made, for example, using a purchase order through to highly complex, innovative long-term contracts that may involve a number of inter-connected contracting arrangements. Over the years, the Council has become a significant purchaser of goods and services. We understand that in 2015/16 up to 70% of the Council's budget was spent on third parties.

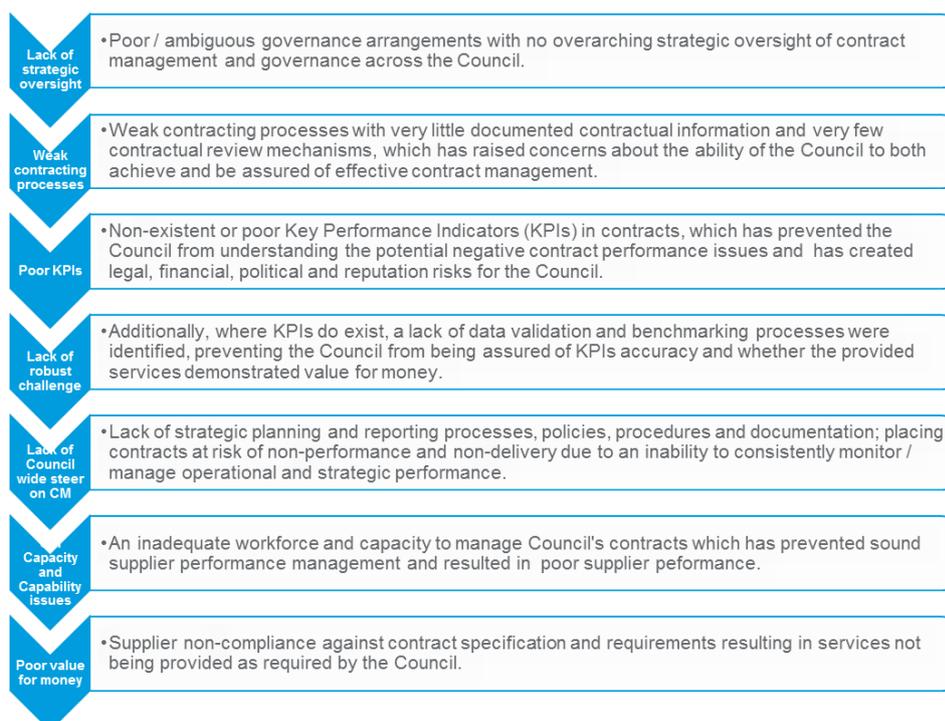
This level of reliance on third parties carries risks as well as opportunities which will need to be proactively managed. In addition, the need to find savings means that the Council has been exploring new ways of procuring and delivering services. Most of the key drivers for the change such as cost pressures, value for money concerns etc. are self-explanatory and universal, however two key drivers are unique to Slough i.e. Internal Audit concerns and the Five-Year Plan. These two key drivers are explained in more detail in the section below:

#### 4.1.1 Internal Audit concerns

A number of contract management concerns have been identified by Internal Audit over the last few years. These concerns have led to many red rated reports i.e. ***“the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.”***

Key issues feeding into the overall conclusions are listed in the figure 1 below:

**Figure 1: Key contract management issues identified by Internal Audit**



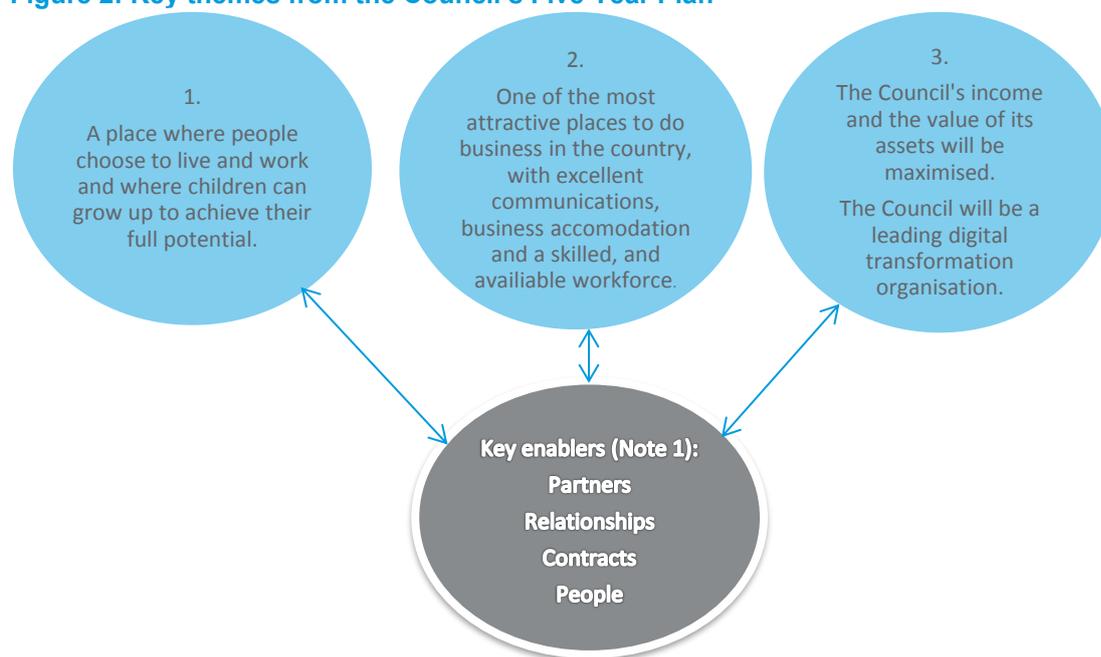
NB: CM - Contract Management

The proposed recommendations in this report, if fully implemented, should address these concerns as demonstrated in Appendix 3 of this report.

#### 4.1.2 Five Year Plan

The Council's Five Year Plan (2016-2020) focuses more on being entrepreneurial, becoming an enabling Council and using resources wisely. A key theme across the entire Five Year Plan is delivering benefits through digitalisation. An extract from the Five-Year Plan has been re-produced below in figure 2:

**Figure 2: Key themes from the Council's Five Year Plan**



Note 1: Wider macro-level enablers are excluded from this list because they are outside the scope of this review. Some examples of macro-level enablers are the Heathrow expansion, government decisions on funding and legislation/policy etc.

Given that the majority of the Council's services are delivered by third parties, the achievement of the Five-Year Plan is heavily contingent on effective and proactive relationships, particularly for the contracts which are assessed as High or Medium for the Council. Therefore, the Council needs to invest in proactive contract management, strengthen capacity and capability of the contract management talent pool and plan for contract management from the commissioning stage through to the contract exit/renewal stage.

## 4.2 Council's contract management needs

A robust contract management framework needs to be in place over the contact's life-cycle to maximise the potential opportunities, manage risks and realise savings captured at the procurement stage.

Per a recent survey by the Local Government Association (LGA), "**Councils obtained savings of between 3 and 15 per cent on the value of the contracts over their durations through better contract management.**"

Due to the current contract management issues within the Council, reliance on third parties to achieve strategic objectives and the desire to improve contract management means that contracts must be managed over their life-cycle. Adopting this approach can deliver many benefits as shown in figure 3 in section 4.2.1 below.

However, we recognise that being too prescriptive in designing and implementing contract management may be counterproductive and inflexible. Therefore, we propose that high level contract management guidance is accompanied by key principles and critical success factors which should govern how contracts are managed across the Council. The concept of life-cycle contract management and critical success factors/principles is outlined in the section below.

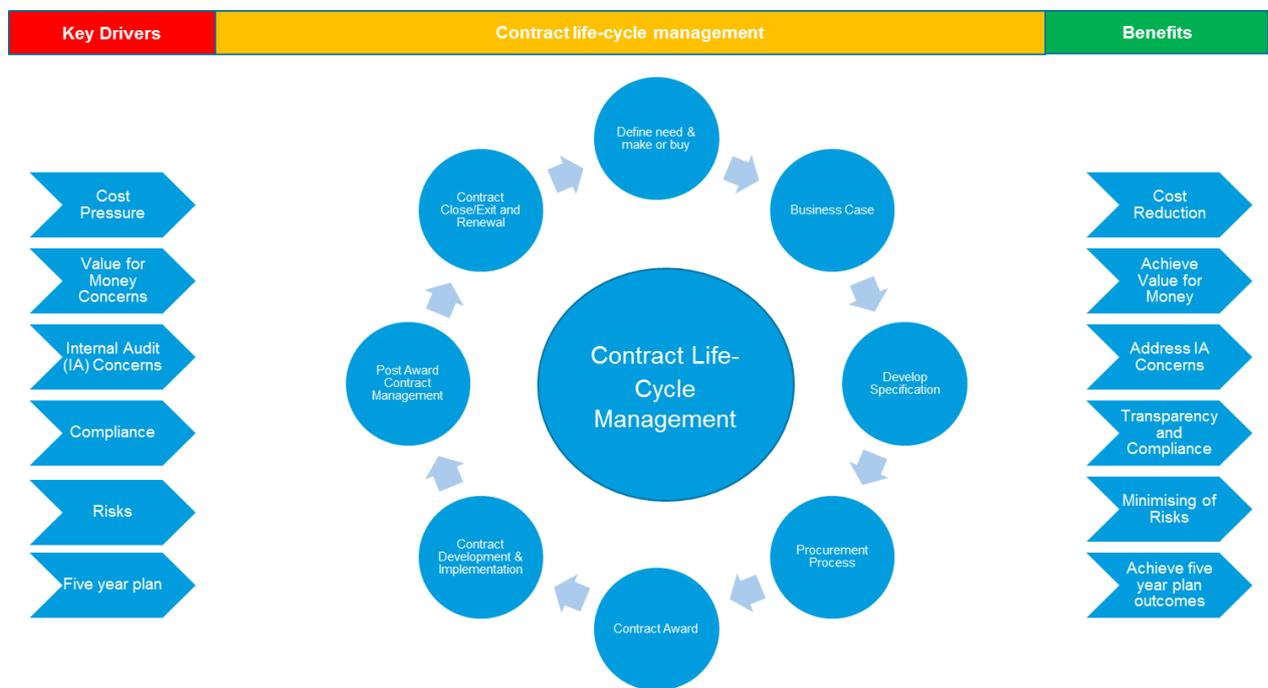
#### 4.2.1 Life-cycle contract management is a pre-requisite

The success of contract management and the activities undertaken are strongly influenced by what has happened during the commissioning and contract award phase, in terms of the contract as well as the type of relationship between the Council and the supplier that has been established during the tendering and contract award phase. Therefore, the pre and post award phase should be seen as a continuum rather than distinct phases and contract management should be planned from the start of the commissioning process.

Figure 3 illustrates typical stages in a contract's life. Life-cycle contract management refers to activities which need to be performed throughout the contract's life to ensure value for money is secured at the procurement stage and realised during its operational and exit/renewal phase.

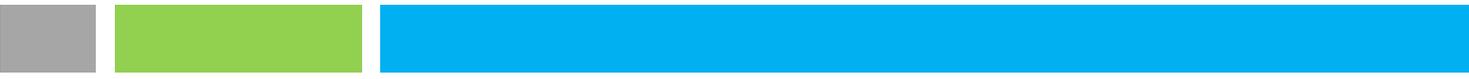
In our report, the reference to contract management covers activities during the pre and post award phases of the contract.

**Figure 3: Key drivers for change and contract life-cycle management**



#### 4.2.2 Critical Success Factors and key principles

The Council should define and identify a set of organisation wide critical success factors (CSF) and principles that should underpin the Council's approach to contract management. These principles should complement the Council's contract management manuals/guidance documents. Examples of good practice CSFs and principles are outlined below:

- 
1. **Ensure** requirements are specified in a **comprehensive specification** with identifiable and measurable outcomes/outputs (including service level agreements and key performance indicators);
  2. **Develop effective relationships** during the procurement process and ensure they are proactively managed during the post award phase;
  3. **Ensure** that adequate contract management resources are identified and appointed during the procurement stage and that the continuity of staff across commissioning, procurement and post award stage of the contract is maintained where possible;
  4. **Ensure that contracts are known and understood** by all key stakeholders who will be involved in the management of the contract;
  5. **Start developing** and documenting a contract management plan during the procurement stage and ensure the contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities at the appropriate levels of seniority;
  6. **Establish and use strong governance arrangements to manage risk and enable strategic oversight.** This should include but is not limited to the following areas:
    - Ensure that the governance structures are proportionate to the size and risk of contracts, and that they are suitably empowered and support the business outcomes and objectives;
    - Understand and use contractual options such as the appointment of a Remedial Advisor, implement Rectification Plans and awareness of Step In rights, for example under what circumstances the Council will take over the service delivery from the supplier? and
    - Ensure appropriate business continuity and contingency plans are in place.
  7. **Adopt a differentiated approach based on risk;** whereby the Council distinguishes between High and Low contracts, directs the strongest resource to contracts where the risks and rewards are highest, and considers a 'self-managing' approach with exception reporting for lower risk contracts;
  8. **Identify** an ultimate and senior accountable officer who is accountable for the delivery of contractual obligations and management of risks;
  9. **Proactively plan for contractual change** by:
    - Developing flexible approaches to change through joint working with suppliers, starting from the commissioning stage;
    - Designing and implementing a robust change control mechanism; and
    - Ensuring senior level assurance, governance and controls are in place and are complied with, before contract variations/changes are approved.
  10. **Measure and report on performance and use KPIs and data efficiently to incentivise good performance. Some examples to achieve this are outlined below:**
    - Administer contracts proactively and efficiently;
    - Making maximum use of benchmarking and performance measurement data;
    - Use a balanced scorecard to measure 'hard' data such as KPI performance alongside 'soft' measures e.g. customer satisfaction and relationship management, with a focus on achievement of the outcomes;

- 
- React quickly to issues when they arise;
  - Ensure KPIs and incentives are appropriate and proportionate to the contract; and
  - Challenge KPIs and incentives regularly and ensure a mechanism to change and evolve them through the life of the contract is in place.

11. **Drive continuous improvement, value for money and capture innovation** by actively using contract tools and provisions to leverage the relationship, continually driving value for money and seeking out and implementing innovative ideas for improvement;

12. **Adopt and encourage mature commercial behaviours by:**

- understanding what drives the suppliers' behaviour and knowing how to assess excess profit;
- Being open and receptive to ideas, exploring and using appropriate commercial structures (e.g. alliances), but remaining competent and robust in protecting the Council's position and driving value for money; and
- Leveraging the open book and audit provisions with confidence, to achieve value for money.

# 5 BASELINE ASSESSMENT

## 5.1.1 Introduction

The purpose of the baseline assessment was to:

1. Understand existing contract management practices and strategies;
2. Perform a high-level assessment of previous procurement and contract management restructure proposals;
3. Perform a health check of the Council's contract register; and
4. Understand the key challenges and opportunities involved in making improvements to existing practices.

## 5.1.2 Our key observations on contract management; governance and activities, roles and responsibility and capability and capacity

### 5.1.2.1 Contract management governance is not always documented and is inconsistent across the Council

During the engagement stage, it was clear that inconsistent governance across the Council is an issue. The lack of clarity around governance has led to poor decision making and instances where suppliers are not held accountable for poor performance.

Some of the stakeholders we interviewed expressed concerns about the various governance meetings which are held across the Council i.e. Strategic Commissioning Group, Wellbeing Commissioning Group, Commissioning and Procurement Board and Procurement Review Board etc. In many cases, the membership is repeated across various governance meetings and the key outcomes and benefits of these governance meetings are not clear to many stakeholders within the Council.

We were not able to identify a single governance route which brings together various contract and procurement activities and provides a strategic overview of contract management and supplier performance across the Council. From discussions with the Assistant Director of Procurement and Commercial Services, we understand that this particular issue is being addressed through the establishment of commissioning, Procurement, and Contract Management (CPC) Board; albeit we have not seen the terms of reference for this.

### 5.1.2.2 Contract management activities are inconsistent and do not follow best practice

Due to the lack of a Council wide contract management framework, contracts are inconsistently managed. In addition, there are inconsistent definitions of contract management, with some stakeholders believing that operational management is contract management. As a result, contract management is ineffective in some areas. Examples include;

1. A lack of suitable guidance on how to achieve continuity and knowledge transfer between different phases of the contract lifecycle;
2. Good quality management information does not appear to be readily available for some contracts;
3. Dashboard and reporting summaries are inconsistent, making it difficult to compare supplier performance;

- 
4. The Council's staff sometimes require the suppliers' assistance to provide reports that were not contemplated in the contracts, and the underlying data is not validated due to information access issues;
  5. Data records and audit trails do not appear to be adequately maintained;
  6. Performance measures do not always measure the service received by the business user, and do not reflect the business users' views on the quality of service being delivered;
  7. For some contracts, there appears to be limited activity undertaken to validate, test or assure that suppliers have provided the contracted services;
  8. Supplier self-reporting is accepted with limited challenge;
  9. Invoices are authorised, based on the suppliers' own delivery data with limited validation by the Council;
  10. In some instances, a Council wide view is lacking, to assess what is being delivered and what is being paid for; and
  11. Some staff interviewed do not appear to be aware of actual spend against the contract across the Council and how the spend is monitored.

#### **5.1.2.3 Contract management accountability, roles and responsibility are not defined and documented**

There is no documentation which defines contract management accountability, roles and responsibility leading to an inconsistent understanding of what is expected of contract managers and those who are ultimately accountable for contract performance. It also means that for many contracts there is no holistic view of supplier performance across the Council.

#### **5.1.2.4 Contract management capacity and capability is a concern**

Out of the thirty-eight stakeholders we interviewed, only four stakeholders have been on some type of contract management training. Furthermore, there appears to be a challenge in sharing resources, skills and knowledge across the contracts and functions within the Council.

Many stakeholders we interviewed expressed concerns about time and resources needed to manage the contracts well. A dedicated resource to manage the contracts is not common practice within the Council. In some instances, contract management is added to someone's role without due consideration to the additional time it will take, and the skills and experience required to manage the contracts effectively.

#### **5.1.3 Risk and opportunity (R&O) management is not an integral part of contract management**

The majority of the stakeholders we interviewed believed that contract risks are considered as part of the corporate risk management process. However, our review of the Corporate Risk Register identified that this assumption is not valid. This is indicative of a widespread absence of contract related risk management.

The Council does not always measure the end-to-end service delivery process. This is particularly critical for contracts where interaction with other agencies, suppliers or functions within the Council forms part of the end-to-end process. Without mapping the end-to-end service delivery process, effective risk and opportunity management will be ineffective. This is mainly because the R&O management process will fail to capture dependencies and interdependencies where the end-to-end process is not delivered by one supplier and/or function.

#### 5.1.4 Our observation on the Council's contract register

Without a good base of information on contracts it would be difficult to carry out key contract management activities, such as effectively planning for various stages of contract management i.e. procurement, contract change, exit and renewal. Our high-level review of the Council's contract register identified the following issues:

1. The Council uses Intend, which is an e-tendering solution, to create a central record of all the contracts within procurement. In addition to this, localised spreadsheets are also used by some departments to capture contract information. However, the feedback during the interviews and our review of these two methods of capturing contract related information identified that they are not fit for purpose and the information collected and recorded within both systems is not complete and comprehensive;
2. The ultimate responsibility and accountability to consolidate and update the various contract registers is not clearly defined. As a result, there is no single, comprehensive and up to date contract register within the Council;
3. Some of the essential contract related data is not always included when the contract information is uploaded on the current contract register in either the Intend or the localised spreadsheets. For example, the contract manager, total value, key milestones etc.; and
4. At the time of our review, a project was underway to create a corporate contract register by incorporating and enhancing information within Intend and localised spreadsheets.

#### 5.1.5 A high-level assessment of previous procurement and contract management restructure proposal

The stakeholders across the Council are not convinced that the previously part implemented procurement and contract management restructure will drive contract management improvement. Our high-level review of the structure confirms this; as it only appears to bring stakeholders together from different functions and does not fundamentally change the contract management activities performed by the teams. It also does not address the aforementioned contract management concerns.

The stakeholders also raised concerns about how the structure was implemented. They felt that it was something which was, "done to them" rather than "done with them". Therefore, we do not believe that full implementation of the previous procurement and contract management structure will drive the necessary improvement in contract management and also will not receive buy-in from all stakeholders, which is fundamental to moving forward to deliver contract excellence.

#### 5.1.6 Public health, Highways and Transport, Adult Social Care and Children's Services restructure

We also looked at the approved Adult Social Care, Public Health, Highways and Transport and Children's Service restructures with a view to identifying any contract management implications. Our key observations are noted below:

1. **Public health, Highways and Transport restructure:** The proposed restructures were focused on service improvements. As the restructures had no direct implications on contract management, they were not reviewed in further detail as part of this work;
2. **Adult Social Care (ASC):** ASC spend £34m per annum in delivering services. Most of this money is spent with third parties. There are approximately 60 contracts within ASC ranging from a few thousand pounds per annum to nearly £3m.

The Head of Commissioning within ASC has recently had his restructure approved for the Adult Social Care Commissioning Team. Within this restructure, six posts have been created to manage contracts. We conducted a high level conceptual review of the structure and noted that:

- 
- At a conceptual level, the proposed structure appears to address some of the existing contract management concerns such as adequate level of capacity, capability and clarity around contract management roles and responsibility;
  - However, further discussions with the Head of Commissioning identified some concerns in relation to the implementation phase of the proposed structure. These concerns are noted below:
    - a. The governance structure overlaying the contract management team was not apparent;
    - b. The only governance mechanism mentioned was, “Care Governance Meeting” which indicates a lack of embedded contract management governance within contracts;
    - c. The links to the corporate governance structure for contract management are missing;
    - d. There is no plan as to how the contracts will be categorised and the level of contract management activities which will be performed on contracts which have different risks and opportunity profiles;
    - e. A contract Management training, learning and development plan is not in place;
    - f. Due consideration to risk management across the ASC portfolio was not evident;
    - g. It appears that candidates for many of the posts are job matched internally. Some of the staff recruited had none or very little contract management experience, therefore the extent to which their involvement will see a marked improvement in contract management is questionable;
    - h. There is a lack of clarity around what the contract managers are expected to do, i.e. how they are going to manage contracts. We understand that the Supplier Relationship Manager will be responsible for training the Supply Chain Managers, however in the absence of a contract management framework, the supply chain managers may neither adopt a consistent nor most effective approach to managing contracts;
    - i. From our discussion, it was not clear how the various elements of the contract management life-cycle are captured and consolidated; and
    - j. Some key contract management roles such as the client lead, contract manager and contract accountable person were not apparent to us.
3. We acknowledge that the current structure is in the early stages of implementation and some of the aforementioned issues may be immediately addressed once the structure is fully implemented. However, some of the issues need to be addressed from a corporate perspective. These are outlined below:
- a. The ASC contracts should be managed in line with the guidance and contract management framework issued by the proposed Corporate Contract Management function;
  - b. The underlying governance structure for key contracts should replicate the proposed governance structure within this report i.e. strategic, operational and tactical;
  - c. The ASC team should follow the clear reporting requirements to the Council wide CPC (Commissioning, Procurement and Contract Management) board;

- 
- d. ASC should follow the approach proposed in this report to categorise the contracts to ensure the contract management activities are proportionate to the underlying risks and opportunities;
  - e. ASC should feed into the contract risk register which should be maintained by the Head of Contracts; and follow the contract management training and L&D programme which should be developed by the Head of Contracts;
  - f. The effectiveness of the proposed structure in improving contract management should be reviewed before the end of 2016/17 financial year; and
  - g. Other options to manage contracts, including centralisation of contract management within Procurement and Commercial Services should be considered if the proposed structure does not result in contract management improvement.

3. **Children's Trust:** One of the largest suppliers of services to the Council is the Children's Trust which was launched in 2015. The total base budget for the Trust for the period of 2015/16 is £24.4 million. The relationship with the Trust needs to be proactively managed and sufficient resources of adequate commercial calibre should be appointed to manage this contract.

There are concerns that ten months after the Trust was launched, the contract management team is yet to be fully established which may have an impact on the contract management effectiveness for this contract.

In addition to the contract with the Trust, the Children's Services also has other contracts such as Cambridge Education which needs to be managed. At the time of our review, the proposed contract management team was still being recruited in and therefore the structure was not fully implemented. Therefore, we were unable to perform a comprehensive review of the proposed structure. Nevertheless, our high-level observations on the proposed structure are noted below:

- o The contract manager for other contracts within the function such as Cambridge Education is not clearly identified;
- o The links to the corporate governance structure for contract management are not clearly defined; and
- o Not enough information was presented to us to understand the activities which will be performed by the contract managers. Therefore, we cannot comment on whether or not the contract management team and outcomes will be robust following the full implementation of the proposed structure.

## 6 STAKEHOLDER ENGAGEMENT

The section below summarises key themes from stakeholder engagement. Some of the emerging key themes were validated through our baseline assessment and our review of previous Internal Audit reports.

### 6.1.1 Key emerging themes:

1. The contract management accountability, roles and responsibilities are not defined;
2. There are no Council wide contract management policy and procedure leading to inconsistent ways of managing contracts;
3. Staff capability and capacity is not aligned with the underlying risks and opportunities within the contract they are managing resulting in poor contract management;
4. Many staff members who are managing contracts have not received adequate contract management training;
5. Pockets of good practice contract management exist but are not shared across the Council mainly due to the lack of a common platform for contract managers;
6. A holistic overview of spend with third parties, supplier performance and a comprehensive contract register is lacking;
7. The Stakeholders interviewed expressed concerns around, a “lack of commercial and contract management tone from the top”;
8. There is a lack of consistency around various definitions i.e. contract management vs. contract administration, contract manager vs. client lead;
9. Members expressed concerns around timely availability of information to help them answer resident queries. They also expressed concerns around the access and validation of underlying performance data;
10. The contracts are managed in *silos* and a lack of collaboration across the Council is apparent; and
11. The governance process is confusing with a huge overlap in membership of various governance meetings.

### 6.1.2 What stakeholders’ said during our engagement:

We have captured some key comments below:

1. *“Slough confuses governance with bureaucracy”*
2. *“We do not plan for contract management”*
3. *“People in this organisation are protective of their own territories and do not know what contract management is and then complain when the supplier is under performing and not listening”*
4. *“I manage my contracts really well”*
5. *“People are protective of suppliers instead of holding them to account”*

- 
6. *“We do not have enough people with the right skills managing the contracts. People manage the contracts because they were part of the procurement process or they happen to be there or because there is no one else who can manage contracts”*
  7. *“A number of people in this Council are contract custodians rather than contract managers”*
  8. *“The Council is not very good at articulating what it wants from suppliers”*
  9. *“I do not know who I should speak to on certain contracts.”*
  10. *“Previous restructure for contract management was done to people, what they did remained the same, so of course we did not see any improvement in contract management”.*
  11. *“Need clarity on who manages contracts, who writes policies and if a matrix structure is implemented, who will I listen to, who does my appraisal and how it will work in practice”.*



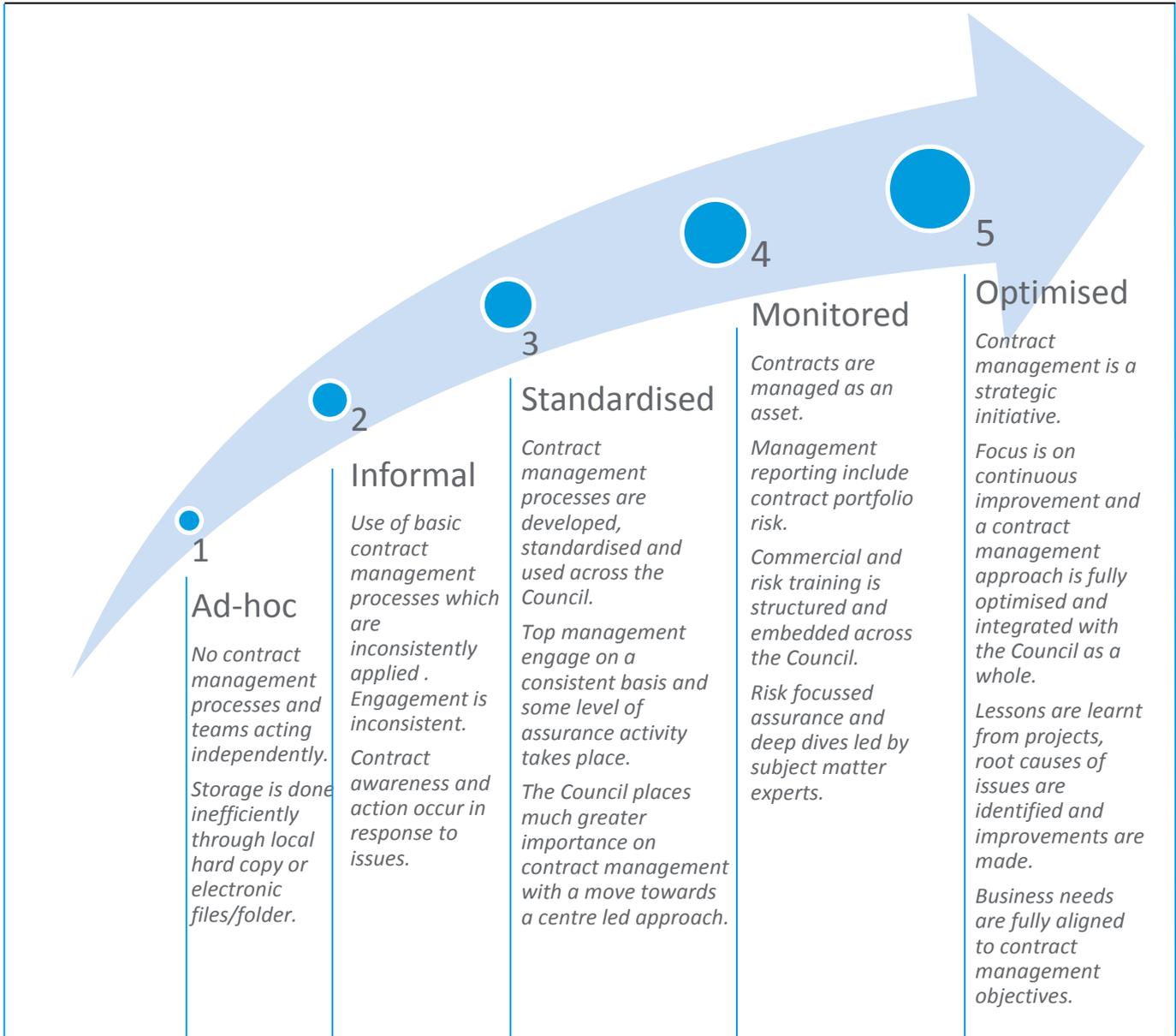
## 7 CONTRACT MANAGEMENT MATURITY AGAINST THE GOOD PRACTICE FRAMEWORK

Based on the insights from the baseline assessment, internal audit reviews and stakeholders' engagement, we have assessed the Council's current contract management maturity against the best practice framework, and set a minimum "target" maturity level for each framework area which the Council should work towards achieving.

These target maturity levels are considered as being the minimum level required to address the current contract management concerns. Figure 4 below, indicates that in all ten areas of the post award best practice framework, the Council falls short of the minimum maturity levels required to address issues. In some of the framework areas, a mix of good practice and poor practice has been observed across the different contracts. On balance, in all framework areas, the Council's practices fall short of being at a "Standardised" Level 3, which further strengthens the need to effectively address contract management practices within the Council.

A series of recommendations have been proposed to remediate the issues found and move the Council up the best practice maturity level. These recommendations are outlined in section 8 of this report.

**Figure 4: Slough contract management maturity**



Innovation	●			◆	
Risk	●			◆	
Relationship		●		◆	
Change		●		◆	
Performance		●		◆	
Dairy		●		◆	
Finance		●		◆	
Skills	●			◆	
Ownership	●			◆	



Planning					
----------	--	--	--	--	--



Assessment of current assessment state



Suggested Target Maturity

## 8 OUR RECOMMENDATIONS

The section below sets out our key recommendations for effective contract management within the Council. The section outlines key processes, structure and governance that should be considered to form part of an effective contract management function.

We have not tested our recommendations with end users and therefore they may need to be refined and adjusted during the implementation phase.

### 8.1 CREATE a Corporate Contract Management (CCM) Function

Many local authorities have set-up a Corporate Contract Management Function for contract management. For clients, we have worked with previously, creating a CCM function has delivered many clear benefits such as:

1. A consistent approach to managing contracts across the Council;
2. Standardised training and development opportunities to up-skill staff;
3. Development of clear guidance and a toolkit to manage contracts;
4. A dedicated resource pool to help the Council during commission and procurement;
5. Better supplier negotiations;
6. Effective and robust contract management resulting in better value for money; and
7. A robust strategic overview of contract management at a senior level of the organisation.

We recommend that the Council set-up a Corporate Contract Management function (CCM) and create a Head of Contracts post to provide strategic oversight of contracts and contract management across the Council. To achieve the aforementioned benefits, the CCM should be created regardless of the contract management model adopted by the Council.

In addition to the above benefits, setting up a CCM under the clear leadership and guidance of the Head of Contracts will also enable the creation of a network of practitioners. This should be used as a contract management community, where feedback on procurement and contract management activities are used to develop new standards and improve existing ones.

The CCM staff should have dual accountability i.e. to department owners for delivery, which should be monitored through agreed service level agreements (SLA) with the departments, and to the Head of Contracts for:

1. Adherence to standards and controls;
2. Holistic contract management performance; and
3. To provide links into the corporate governance structure.

The performance standards should be agreed and become part of individuals and team performance management reporting.

The CCM function should mainly focus on the following areas, which, should be reviewed and refined during the implementation stage:

1. **Strategic overview** – Provide a robust strategic overview of all contracts across the Council;

- 
2. **Market engagement** – Working with the procurement functions and contract managers to engage with the market on a continuous basis;
  3. **Strategic alignment of key contracts and corporate objectives** – Working with contract managers to ensure strategic corporate outcomes are identified, initiated and developed across the Council;
  4. **Risk Register**– Working closely with contract managers and the corporate risk management team, who should take responsibility for maintaining and managing a Council wide contract risk register. This register should capture key strategic, operational, performance, financial, business continuity, suppliers’ financial and operational health (going-concern), and supply chain, reputational and political risks for key contracts;
  5. **Accountability for maintaining and analysing the Contract register** – Working with procurement and contract managers to maintain a comprehensive and up to date contract register and to analyse and report on contract management information such as:
    - How many contracts the Council has?
    - The actual spends against the contract value;
    - When contracts are due for renewal or retendering?
    - The location of contract documents;
    - An up to date log/matrix of contract management accountability and responsibility; and
    - A high-level record of strategic contract terms and conditions.
  6. **Guidance** - Responsible for drafting contract management strategy, policies, contract management handbook, contract management planning documents, contract summary sheets, contract performance reports and for standard strategic reporting requirements to CPC;
  7. **Business partner** - Act as business partners to contract managers and contract client leads across the Council and provide specialist advice, sharing lessons learned and sourcing external advice and support where required;
  8. **Challenge** – Identifying champions and advocates of best practice and custodians of the minimum requirements for best practice contract management. In doing so, the team should challenge and support procurement and contract teams to ensure that standards are applied consistently. In addition, the role should involve working with business units to tailor agreed standards in order to address specific nuances where minimum standards may not apply;
  9. **Commissioning and Procurement support** – Act as a temporary specialist resource on complex procurements by supporting commissioning and procurement teams. This, for example, could be hands on involvement to support negotiations, specifications, market research, development of procurement approaches and contract management plans;
  10. **Assurance** – Provide assurance around the gateway process, and should be responsible for managing a programme of periodic assurance and an audit of business critical and non-business critical procurement, contract practice, processes and feeding back lessons learned to the Council;
  11. **Continuous improvement** – Consider new contract management thinking, approach and innovative solutions. Work with the Council’s Learning and Development team (L&D) to develop and deliver contract management training where gaps are identified; and

- 
12. **Commercial culture** - Embed a culture of contract management excellence across the Council through training and communication. Develop a high-level understanding of key issues, challenges and achievements. Provide insights on interdependencies and synergies between different contracts and corporate objectives and develop best practice to manage these through joint working with contract managers, procurement and commissioning teams.

**Recommendation 1:**

The Council should establish a Corporate Contract Management function (CCM) and a Head of Contracts post should be created to implement and manage the CCM.

This CCM team and Head of Contracts role should be created regardless of the decision around the contract management structure to be adopted by the Council to manage contracts.

## 8.2 CATEGORISE the contracts

The level of resources devoted to contract management and the type of activities undertaken should be proportionate and justified by the potential benefits they may deliver. Therefore, all contracts need to be categorised and this process should start at the commissioning stage, so that there is an appropriate balance between the cost of contract management, risks and benefits realised.

As a rule, contract management requirements progressively increase with the level of value and complexity of the contract. The level of complexity is determined by several factors including risk, sourcing complexity and the ability to define the specification. Contracts which are assessed as involving high risks and opportunities will require more resources to manage them. This is because as the risk increases, the benefit which may be derived from reducing these risks through enhanced contract management also increases.

Based on multiple studies and our experience of working with many private and public sector organisations, the required resources can be somewhere from 1% to 3% of contract value. A study by the Crown Commercial Services (CCS) identified that the benefits of investing in contract management capacity and capability far outweighs the cost of investment.

**Current categorisation within the Council:** Within the Council, contracts are defined as Major or Minor based on contract value. The Council considers a contract “Major” if the contract value is over £500,000 per annum or over the life of the contract. However, the current way of categorising the contracts is narrow and does not take account of other key factors.

The Council should introduce a broader range of criteria when categorising contracts. The categorisation should not only focus on value but should also consider the following additional factors set out in Table 1 below:

**Table 1: Contract categorisation criteria**



Contract category 	Low	Medium	High
Factor to consider 			
<b>Contract value:</b> Define the per annum and life-cycle cost of the contract. When considering the contract value, whole life-cycle cost should also be taken into account.	Per annum, contract life and life-cycle cost is less than £500,000	Per annum, contract life and life-cycle cost is between £500,000-£1,000,000	Per annum, contract life and life-cycle cost is more than £1,000,000
<b>Political interest:</b> The extent to which elected members are interested in the contract performance.	The elected members rarely show interest.	The elected members will show interest if service performance issues are highlighted. The services may be public facing.	The elected members are highly interested in the service delivery, outcomes achieved and supplier performance.  The services are most likely to be public

<b>Contract category</b> →	<b>Low</b>	<b>Medium</b>	<b>High</b>
<b>Factor to consider</b> ↓			
			facing or integral to delivery of corporate objectives.
<p><b>Business value and impact:</b> Indicates relative value to the Council and/or the level of business impact because of supplier failure or poor performance.</p> <p>Impacts may include impact on the Council's operations and residents, which requires consideration to be given to the number of end users and stakeholders that require engagement.</p>	<p>Commodity products or services where lack of availability may be classed as inconvenience.</p> <p>Typically, an alternative option is readily accessible.</p>	<p>Specialist products or services which are important to the business.</p> <p>It is likely that any supplier failure or poor performance will have a negative impact on the Council's reputation and service delivery.</p>	<p>Strategic products and services that are considered core in delivering the Council's statutory functions and strategy.</p> <p>It is highly likely that any supplier failure or poor performance will have a significant negative impact on the Council's reputation and service delivery.</p>
<p><b>Sourcing complexity:</b> Reflects constraints to change supplier and required level of specialist management/oversight.</p>	<p>Acceptable alternative options are available.</p> <p>The goods and services are easy to specify without specialist knowledge.</p> <p>The impact on the Council's operations is low in the event of supplier change.</p>	<p>Alternative options are readily available or can be developed.</p> <p>Drafting the specification may take some time which may need some specialist input.</p> <p>Business impact can be significant in the event of change.</p>	<p>Alternative options may be available but are subject to complex decision making criteria and a lengthy procurement process.</p> <p>Drafting the specification takes time and considerable input from specialists such as services, HR, Legal and Procurement is required.</p> <p>The procurement process may span several months.</p> <p>Change impact can be extreme; therefore, exit and service transition needs to be managed robustly.</p>
<p><b>Contractual complexity:</b> Degree of clarity or complexity of the</p>	<p>Clear and transparent contracts.</p>	<p>Some complexity in charging schedules and charging regime.</p>	<p>Contract charging regime is complex and difficult to understand.</p>

<b>Contract category</b> →	<b>Low</b>	<b>Medium</b>	<b>High</b>
<b>Factor to consider</b> ↓			
contract, its charging mechanism, service level agreements (SLA), key performance indicators (KPIs) and commercial schedule.	Simple contracts based on standard terms and conditions.	May need legal support for interpretation.	Need support from subject matter experts such as legal and experts on interpretations of contracts.
<b>Performance complexity:</b> Difficulty determining the actual value of contractual performance and delivery.	Performance and delivery can be objectively evaluated.	Some subjectivity in evaluating contract performance.	High subjectivity in complex services.  Variable business needs and performance standards across the Council.  High technical input, difficult to budget and ambiguous measurement criteria.

**Recommendation 2:**

The Council's contracts should be categorised as High, Medium or Low based on comprehensive criteria, as outlined in Table 1. The process of categorising contacts should start during the commissioning stage and the final decision should be ratified by the Commissioning, Procurement and Contract Management (CPC) board, once established and fully operational.

### 8.3 ADOPT best practice contract management framework

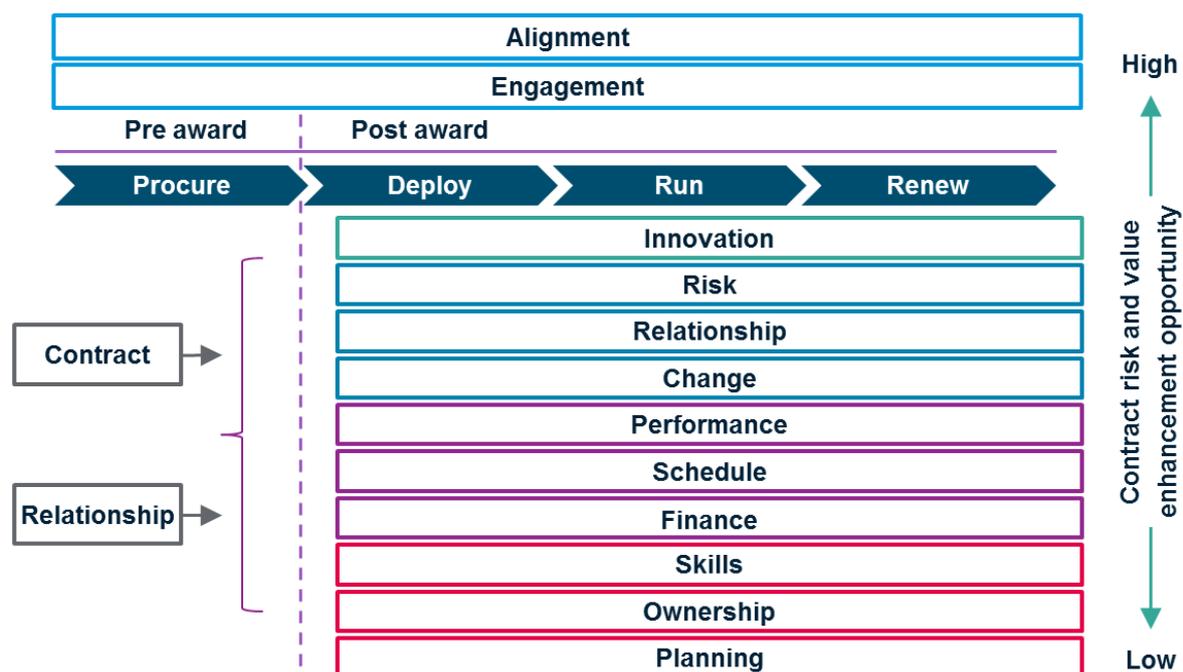
Adopting a Council wide best practice contract management framework will ensure consistency in the way the contracts are managed as well as ensure that there are no gaps in contract management activities. Local authorities use many different frameworks; however, the one we propose is outlined in figure 5 below.

The proposed framework is based on guidelines issued by CCS (Crown Commercial Services formally known as the Office of Government Commerce) and have been further enhanced based on our experience of working with other public sector bodies. It should be noted that the framework identifies contract management as an activity across its entire life-cycle, however only focuses on post-award contract management activities apart from alignment and engagement.

To implement the proposed contract management framework, the Council should conduct a due-diligence assessment on each contract to categorise the contracts as High, Medium and Low to decide the level of contract management activities which need to be performed on each contract, as well as the contact management resource required.

As a rule, most of the activities of the contract management framework should be performed on contracts categorised as High whereas the contracts categorised as Low may only require some focus on planning, ownership, payments, risk and performance etc. Therefore, a contract categorised as High will need a dedicated contract manager, whereas a contract categorised as Low or Medium may be managed by a contract manager who manages more than one contract.

**Figure 5: Best practice contract management framework**



The section below provides a brief description of each of the 14 areas of the best practice contract management framework as depicted in figure 5 above. These 14 areas are split across pre-award (two areas) and post-award (ten areas). However, two areas i.e. alignment and engagement, spans across both the pre and post award phases of the contract's life-cycle.

**Pre-award:**

1. **Contract:** The 'hard elements' of contracts within Terms & Conditions (such as pre-agreed and locked-in payment terms, performance milestones, acceptance criteria, contract duration etc.) provide important context to managing the contract. To be effective, the contract management



processes should address the constraints, flexibilities and opportunities that exist within agreed terms and conditions.

If contract management is effectively planned at the commissioning stage, the Council can build in sufficient leverage and flexibility, to ensure that the contract remains “fit for purpose” throughout its contract life-cycle;

- 2. Inherited relationship:** These are the soft and tacit elements of the contract that are ‘inherited’ from the pre-award phase. The nature of the relationship between the buyer and supplier is directly related to the commercial success of the contract. The importance of commercial relationships will vary in relation to contract type (in particular, factors such as risk, value and complexity). The higher these factors are, the more important relationships become in determining the commercial success of the contract;

***Pre and post award:***

- 3. Alignment:** The contract’s structures and governance should be wholly aligned to the strategic direction of the Council. The greater the alignment with the strategic direction of the Council, the greater the chance of contracts being commercially successful;
- 4. Engagement:** Contract management processes that have been developed through taking full account of the suppliers’ external market conditions – for example, price, product innovation, processes, culture, quality and competition analysis etc. - have a better chance of being fit for purpose. Understanding the supplier’s position in the market is an essential part of building good commercial relationships;

***Post-award:***

- 5. Planning:** The more multi-faceted and multi-disciplined contracts become, the higher the need for contract planning. Contract planning is a proactive endeavor aimed at securing value within contracts. Therefore, planning is essential as part of the commissioning and procurement stage; preferably with key objectives summarized within a contract management plan.

The plan should include key elements of the contract analysis conducted as part of the contract categorisation exercise and should be reviewed periodically over the contracts’ lifecycle. The plan should address all key areas of the contract management framework (Figure 5);

- 6. Ownership/Execution:** Clear contract ownership leads to effective contract management governance, accountability and decision taking. Without clear ownership, the contract management process becomes dormant, ineffective and weak. The contract management plan should clearly define the accountability for contract performance and management as well as key roles and responsibilities against each key area of the framework using a template similar to the one in Appendix 4;
- 7. Skills:** Appropriately skilled contract management teams should be in place to deliver successful contract outcomes. The contract management planning process should secure access to the various skills and expertise required, to successfully manage the contract;
- 8. Finance:** Finance is a key lever in a contractual relationship. Contract management processes should have clarity on how money flows through the contact. Therefore, the contract management team should have an appropriate means in place to understand cost drivers and levers to control them. If possible, finance should be involved during the commissioning and procurement stage and should play a key role in conducting the financial due-diligence of the contract’s commercial structure;
- 9. Schedule:** At a contract level, a schedule should cover key dates such as various governance meetings, benchmarking, open book, annual review, etc. The schedule should cover both internal



and external meetings. The key events and dates should be locked in stakeholder's diaries from the outset;

10. **Performance:** Effective Performance reporting should highlight the current and future health of contracts – the aim of reporting is to track benefits achieved and secure the latent value in contracts. The contract management planning process should identify various sources of information and expertise for effective performance monitoring and management. It is critical that ownership is clearly assigned for various performance elements;
11. **Change:** Contracts can range from being very static to very dynamic in nature. Contracts that are susceptible to significant change in scope are at risk of being commercially unstable due to misalignment with the risks, terms and conditions, and overall value. Such contracts will require a higher degree of change control to ensure they remain fit for purpose. A clear governance process and change mechanism should be set out in the contract and communicated to all key stakeholders;
12. **Relationship:** Contractual relationships are an essential catalyst for commercial success. Contract teams should seek to attain optimum value out of the commercial relationships to realise the full benefits from contracts.

Relationship development is particularly important where the Council wishes to sustain long term contractual relationships with a supplier. Internal relationships and key stakeholders within the Council should also be mapped using appropriate stakeholder mapping techniques and proactively managed;

13. **Risk:** Risk management is the foundation of good contract management. It is the basis for understanding contract management requirements - in particular, an understanding of risk transfer, value for money as well as reputational risk.

Risk management should become an integral part of contract management. Risks should be identified and proactively mitigated and managed across the contract life-cycle and in line with the Council's corporate risk management process; and

14. **Innovation:** Making step changes in contractual relationships require innovation; process, technical and commercial innovations. If contracts are going to include innovation, then three clear pre-contract reward steps should be followed:

**Step 1:** Categorise Innovation per its impact and speed i.e. (1) Strategic and Incremental, (2) Operational and Incremental, (3) Strategic and Radical or (4) Operational and Radical. Subsequently, agree what the desired impact of this innovation is, and therefore, who needs to own it. This decision will need to be fed into the governance arrangements and contract management plan.

**Step 2:** Design measurement instruments. Both sides need to develop the metrics upon how and how often the innovation activity will be assessed.

**Step 3:** Create the appropriate contractual term(s). This should include performance targets, compensation, appropriate reward, clear ownership of risk, etc.

Once the contract is awarded, the contract management plan should assign the ownership and responsibility to measure and manage innovation as well as schedule key meetings which need to take place to ensure agreed innovation is delivered.



**Recommendation 3:**

To ensure contracts are managed in a consistent and robust manner, a Council wide contract management framework, similar to that outlined in figure 5, should be applied to manage contracts across the Council.

## 8.4 DECIDE which contract management model to implement?

The current approach to managing contracts within the Council is a mixture of three contract management models; these being devolved, centralised and hybrid. Over the course of our fieldwork, many views were expressed around a “fit for purpose” contract management model for Slough Borough Council. We recognise the importance of the contract management model and therefore carried out a detailed assessment of the three options below.

### 8.4.1 Model 1 - Fully devolved contract management function:

Where both client and contract management accountability<sup>1</sup> and responsibility<sup>2</sup> are fully devolved to the service departments and the *Corporate Contract Management function (CCM)* provides strategic support. The CCM is managed by the Head of Contracts.

#### ***Key features of the fully devolved Contract Management model are:***

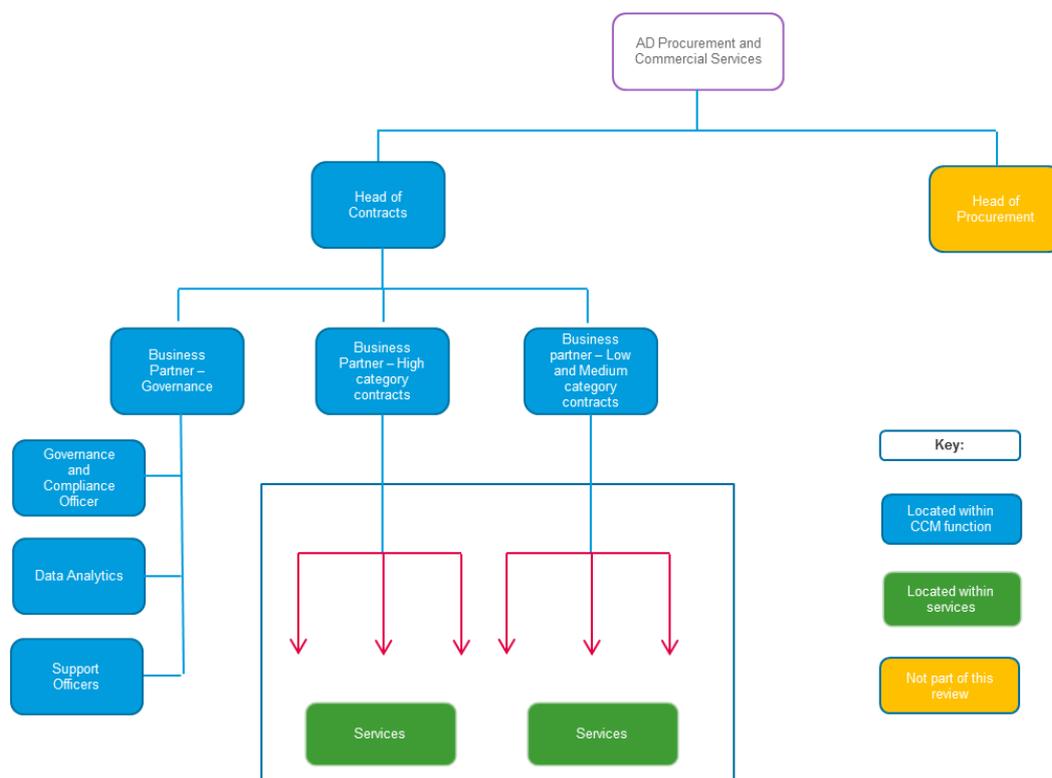
1. Day to day responsibility for contract management rests with the departments;
2. Departments are fully accountable for service delivery and relationship management;
3. Overall accountability falls to a senior responsible owner for the contract who is either Head of Service or Head of Department;
4. The contract managers follow corporate guidance and the Council’s contract management framework;
5. Strategic reporting requirements are pre-determined by the CCM function;
6. The accountable and responsible officers, in conjunction with the Head of Contracts, are required to take regular reports to the Commissioning, Procurement and Contract Management (CPC) board;
7. CCM function will offer advice, challenge, support and scrutiny to the departmental contract management activities and will act as a link between the Corporate and Departmental contract management function; and
8. A fully devolved contract management model may look like figure 6 below:

---

<sup>1</sup> A person who is ultimately accountable for service delivery and contract performance. A responsible person (s) is accountable to this person.

<sup>2</sup> The person/team that carries out the contract management activities.

**Figure 6: Fully devolved contract management model**



**Key advantages and disadvantages of this model are outlined below:**

**Key advantages;**

1. Contract managers may benefit from improved relationships and more efficient decision making with operational teams as a result of everyone reporting to the same head of service and being based in the same function;
2. The contract managers should better understand the environment they work in and the people they interact with; and their key challenges and operational issues due to proximity to the operational teams. This knowledge, skill set and experience may enable them to make more effective decisions;
3. Better understanding of strategic direction of travel by the contract managers; and
4. The contract manager's accountability and responsibility falls within the function, so there is less risk of ambiguity around the responsible person in the event of supplier performance issues.

**Key disadvantages:**

1. Close relationship between the contract managers and the operational team may lead to bias judgement and decision-making;
2. The Council may not have strategic overview of contract performance;
3. The key decisions may be made within the function without a clear audit trail to demonstrate compliance with corporate Policies and Procedures (P&P);
4. The blurred boundaries between the client team and the contract management team may impact the robustness of challenging performance leading to sub-standard supplier performance;

- 
5. The Council may fail to leverage the combined contract management skills, experience and capabilities as the resources are dispersed across the Council; therefore, losing out on possible economies of scale;
  6. The contracts may not be managed in a consistent way leading to inconsistent reporting and performance standards across the Council; and
  7. This approach can lead to a “silos” mentality with decisions being made which may benefit the function but may not be the best decision from the Council’s perspective.

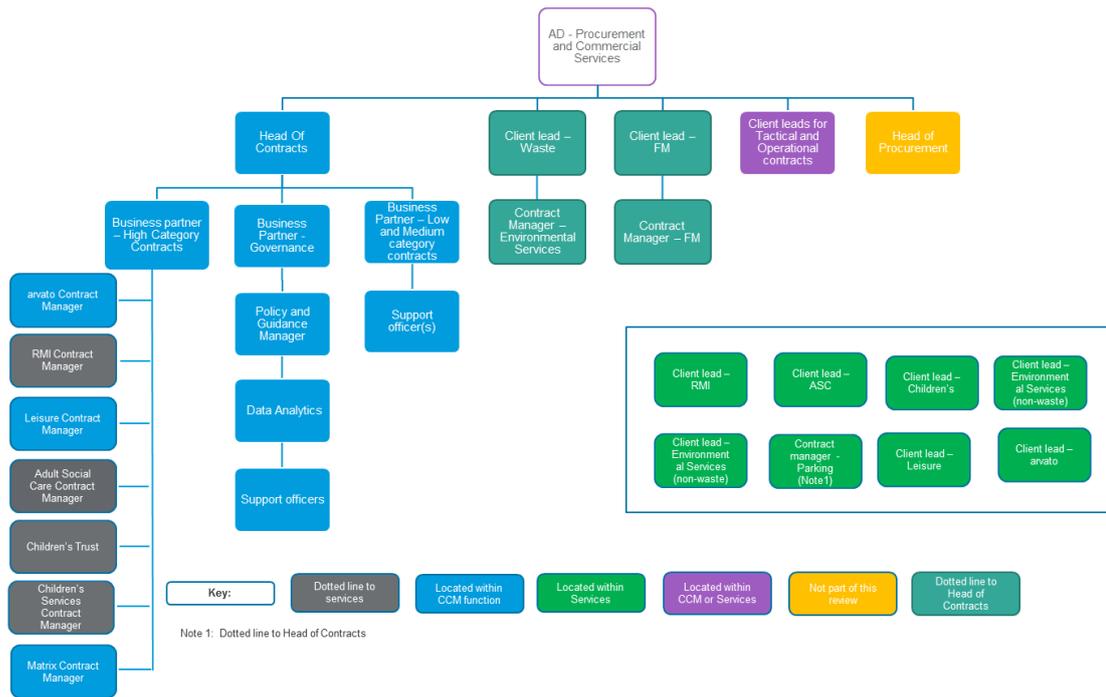
#### **8.4.2 Model 2 - Central contract management function:**

This is the opposite of a fully devolved contract management model. Within this model, both the client and contract manager sit within the Procurement and Commercial Services division. The key features of this model are:

1. Contract management responsibility is centralised;
2. A Head of Contracts post is created;
3. All budgets are transferred to the central function;
4. The size and location of the client team needs to be considered on a case by case basis and is dependent on the size and the nature of the retained function i.e. a Thin client v Thick client;
5. For a Thin client contract, the client team is also transferred to the central function if most of their time is spent on contract related activities;
6. The Thin client teams, within the Procurement and Commercial Services division, such as Facilities Management and Environmental Services will retain their solid reporting lines to the AD for Procurement and Commercial Services and should have dotted lines to the Head of Contracts. However, this reporting structure should be reviewed to ensure it remains effective;
7. For a Thick client with a large client team, where only part of their time is spent on contract related activities, the client team remains within the service departments;
8. The CCM function offers support, guidance and challenge to the contract managers and takes on responsibility for holistic data collection, information and communication on contracts across the Council; and
9. The Head of Contracts together with the contract managers, client lead and accountable officer presents the supplier performance reports to the CPC board.

The contract management model may look like the figure 7 below.

**Figure 7: Fully centralised contract management model**



**Key advantages and disadvantages of centralised contract management model:**

**Key advantages:**

1. This model allows the Council to have a robust strategic overview of all of its contracts and supplier performance;
2. Implementing a consistent approach to managing contracts is much easier leading to cost savings and better reporting;
3. A corporate approach to decision making should result in better judgements and decisions which benefit the whole Council in terms of the wider Council objectives;
4. The Council will benefit from economies of scale and a wealth of contract management knowledge, skills and experience;
5. The model should encourage better cross-working and sharing of good practices between the contract managers; and
6. In uncertain times, the Council will need strong leadership and need to pull in the same direction. It is believed that strong leadership is often best given from above and this can be better achieved through the centralised contract management model.

**Key disadvantages:**

1. This model may be seen as an attempt to retain corporate control over key decision-making, which functions may resent, leading to a lack of co-operation with the CCM team;
2. Service managers are likely to resist greater control from the centre, believing that their technical and professional knowledge makes them best equipped to procure and manage contracts;

- 
3. This model may lead to slow decision making. Firstly, the contract manager may be slow to recognise an operational issue and secondly, it may take longer to reach the decision point due to processes which needs to be adhered to and due to dual reporting lines;
  4. The model may lead to confusion over some areas, such as who is ultimately accountable for the budget overruns, strategic direction, policy decisions, and supplier performance issues; and
  5. Success of contract management will be contingent upon the relationship between the contract managers and the client teams (may be based within the function). A weak relationship between the CCM team and the client team may lead to ineffective contract management.

#### **8.4.3 Model 3 - Hybrid contract management model:**

This option combines elements of both fully devolved and fully centralised models and may lead to some contracts being managed centrally whilst others are devolved to the functions. The key features of this model are outlined below:

1. A Head of Contracts post is created to set-up and manage the Corporate Contract Management function as well as manage Business Partner posts for contracts which are categorised as High, Medium or Low;
2. ASC including PFI, and Children's Trust contracts are managed by the services but with clear reporting requirements to the corporate contract management governance structure. The key reason behind this proposal is because these two functions have recently established contract management teams and it may be counter-productive to abandon the current approach and start again;
3. The effectiveness of the proposed contract management structures and function within ASC and Children's services should be reviewed before the end of the 2016/17 financial year. If the review concludes that the current structure is not working, then the Council should consider a different approach to managing these contracts including centralising them within the Procurement and Commercial division as outlined in figure 7;
4. Other contracts such as arvato, RMI, Leisure and Matrix are to be managed by the CCM team within the Procurement and Commercial services division of the Council;
5. Environmental Services (ES) and Facilities Management (FM) contracts will continue to be managed within Procurement and Commercial Services with the contract manager reporting directly to the client lead for Waste and FM respectively. This is mainly due to lack of clarity around future direction for these services linked to ambiguity surrounding the Council's overall structure in the future. This should be reviewed once there is further clarity;
6. The client team for ES and FM, within Procurement and Commercial services, should report directly to the AD of Procurement and Commercial Services and not the Head of Contracts to ensure healthy tension is created between the client and contract management functions;
7. The parking contract should remain with the Head of Parking as the contract management activities are intertwined with the service delivery role. However, corporate direction and guidance should be followed in the areas of reporting, contract management framework, training and L&D.

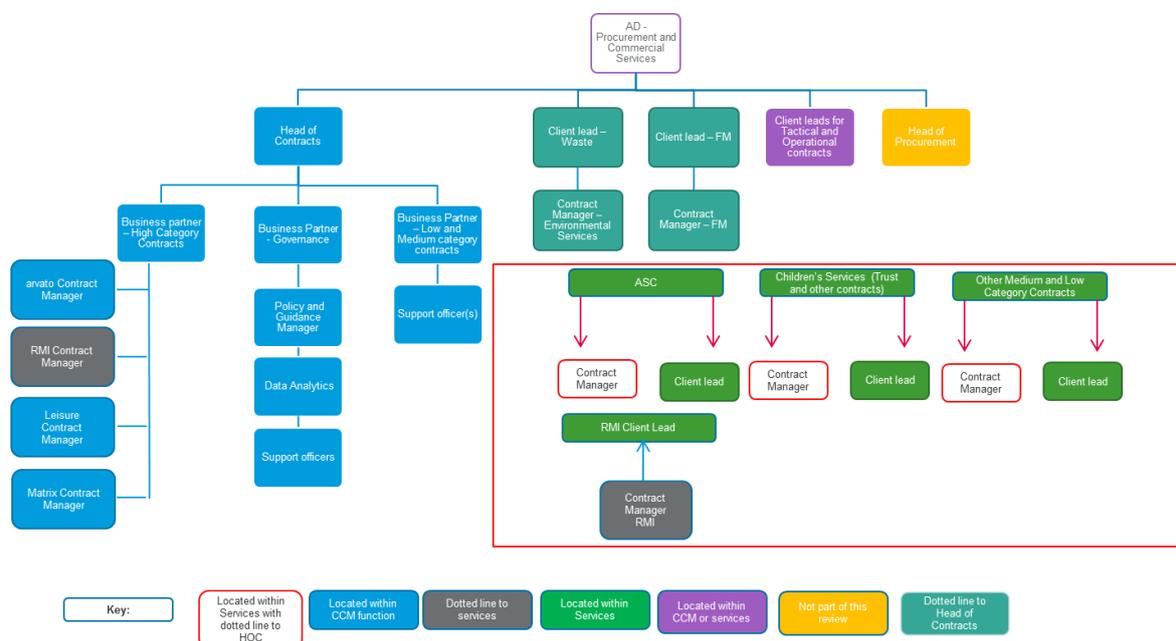
This arrangement should be reviewed before the end of the 2017/18 financial year to assess contract management effectiveness with a view to centralising the contract management responsibilities within the CCM team if issues are identified;

8. The Council should conduct a due-diligence process on the contracts not mentioned here to establish best fit for them;

9. The size and location of the client team should be determined as part of the contract management planning process; and should be considered on a case by case basis;
10. For contracts with a Thin client function, the budgets and team should be transferred to the AD for Procurement and Commercial Services, especially where the team spends most of their time on managing contracts;
11. The CCM function should offers support, guidance and challenge to the contract managers and take on responsibility for holistic data collection, information and communication on contracts across the Council; and
12. The Head of Contracts together with the contract managers, client lead and an accountable officer should present the supplier performance reports to the CPC board.

The hybrid contract management model may look like the figure 8 below.

**Figure 8: Hybrid contract management model**



**Key advantages and disadvantages of hybrid contract management function:**

**Key advantages:**

1. This model allows the Council to have a robust strategic overview of its contracts and supplier performance;
2. Contract management for some high category contracts can be centralised with immediate effect; whilst assessing the effectiveness of contract management in areas where recent restructures have been approved;
3. Implementing a consistent approach to managing contracts is much easier, leading to cost savings and better reporting;
4. A corporate approach to decision making should result in better judgements and decisions which benefit the whole Council;
5. The Council will benefit from economies of scale and a wealth of contract management knowledge, skills and experience; and

6. The model should encourage better cross-working and sharing of good practices between the contract managers.

**Key disadvantages:**

1. For contracts, which are centralised, this model may be seen as an attempt to retain corporate control over key decision making;
2. Service managers are likely to resist greater control from the centre, believing that their technical and professional knowledge makes them best equipped to procure and manage contracts;
3. If communication and engagement is not effective, there may be confusion as to why certain contracts are managed centrally and others are not;
4. It may lead to confusion over some areas, such as who is ultimately accountable for the budget overruns, strategic direction, policy decisions, and supplier performance issues; and
5. The success of contract management will be contingent upon the relationship between the contract managers and the client teams which may be based within the function for some contracts. A weak relationship between the corporate contract management team and the client team may lead to ineffective contract management.

#### **8.4.4 Proposed contract management model for the Council**

Based on the Council's current level of contract management maturity (See figure 4 section 7) and lessons learned from other organisations that are ahead of Slough in transforming their contract management functions, we propose that a phased hybrid model for managing contracts is adopted.

Our recommendation is based on what has worked at other local authorities and the required effort, energy and leadership to move Slough up the contract management maturity level (see Figure 4 section 7).

We believe that at present, the required change is best achieved by bringing together a corporate team and creating a CCM function, headed by a Head of Contracts, which not only manage some contracts centrally within the Procurement and Commercial Services, but also provide strategic direction and guidance to the rest of the Council, where contract management remains decentralised. This is also the most cost effective way of implementing the required change as it will avoid duplication of efforts, leverage synergies and implement change at speed.

**Recommendation 4:**

We recommend that the Council adopt a hybrid approach to manage contracts where some contracts are managed under the corporate umbrella and others are devolved to the services.

A periodic review of the hybrid approach should be carried out to ensure that the model is working effectively and re-considered if issues are identified, with consideration being given to centralising within Procurement and Commercial Services if decentralised contracts are not meeting the required standards.

In addition, a robust due-diligence process should be carried out on contracts which are not categorised as High before a decision is made as to where the responsibility for managing these contracts should sit, i.e. centralised within Procurement and Commercial Services or decentralised within service departments.

**Recommendation 5:**

The contracts which are not managed by the CCM function such as ASC, Children's services and Parking, we recommend that:

1. The contracts are managed in line with the guidance and contract management framework issued by the proposed CCM function;
2. The underlying governance structure for key contracts should replicate the proposed governance structure for other contracts where possible i.e. Strategic, Operational and Tactical (Section 8.5);
3. The contract management team should follow the clear reporting requirements to the Council wide CPC (Commissioning, Procurement and Contract Management) board;
4. The functions should follow the approach proposed in this report to categorise the contracts to ensure the contract management activities are proportionate to the underlying risks and opportunities;
5. The functions should feed into the contract risk register which should be maintained by the CCM function;
6. Follow the contract management training developed by CCM function in conjunction with L&D team;
7. The effectiveness of the proposed structures in improving contract management is reviewed before the end of the 2016/17 financial year with a view to consider alternative options, such as centralisation, if contract management issues are identified; particularly in respect of ASC and Children's services.

## 8.5 ADOPT a consistent contract management governance framework

During the engagement stage, it was clear that inconsistent governance across the Council is an issue. The lack of clarity around governance can lead to poor decision making and instances where suppliers are not held accountable for poor performance. The governance for contract management needs to be defined at four levels:

### 8.5.1 Level 1: Cabinet Member Role – Elected Members View

Members play a vital leadership role in both executive and scrutiny capacities and are in a pivotal position to ensure that, among other things, contract management continues to deliver savings, suppliers meet their contractual requirements, residents are satisfied with the service delivery, and suppliers support the growth of the local economy including small firms and voluntary sector.

An effective way to improve contract management across the Council is to consider a Cabinet Member having responsibility for championing Contract Management. This approach has been adopted by Birmingham City Council (BCC) where a Cabinet Member for Commissioning, Contracting and Improvement has accountability for the following strategic functions around contract management:

1. A strategic approach to and compliance with contract management policy;
2. Holding external providers to account for the performance of services and delivery of contracts;
3. Developing policy for, and monitoring the management of contracts to ensure value for money; and
4. Developing positive relationships and a strategic approach with the Third Sector.

Within Slough, the Commissioner for Digital Transformation and Customer Care is responsible for Procurement; however Contract Management, as a function, does not form part of a Cabinet Member's portfolio. Adopting a similar approach to BCC will send a clear message about the importance and commitment to improve contract management across the Council.

### 8.5.2 Level 2: Strategic Contract Management Governance – Council Wide View

**8.5.2.1 Strategic governance:** A strategic overview of contracts and contract performance is pivotal in achieving value for money and delivering the five-year plan outcomes. We propose that the current governance structure should be reviewed and re-designed to provide an end-to-end strategic overview, covering commissioning, procurement and contract management.

From discussions with the AD for Procurement and Commercial Services, we understand that plans are being developed to establish a CPC (Commissioning, Procurement and Contract Management) to consolidate the existing governance processes into one, to remove the ambiguity, duplication and streamline the decision-making process. The key objectives of the CPC board will be to define and agree the Commissioning, Procurement and Contract Management Strategy, oversee the procurement process and contract award as well as review contract performance on a quarterly basis.

We are unable to comment on the effectiveness of the proposed CPC board, terms of reference and proposed membership, as these points are yet to be finalised. However, at a conceptual level, the proposed governance structure should address the concerns of Internal Audit as well as concerns noted through our baseline assessment and stakeholder engagement

**8.5.2.2 Accountable Officer:** The Council should also define a single role that is accountable for delivery of business strategy, business benefits, and supplier performance and responsible for ultimate decision making for each contract which is categorised as High or Medium. As a rule,

accountability cannot be shared and therefore only one person should be accountable for each contract.

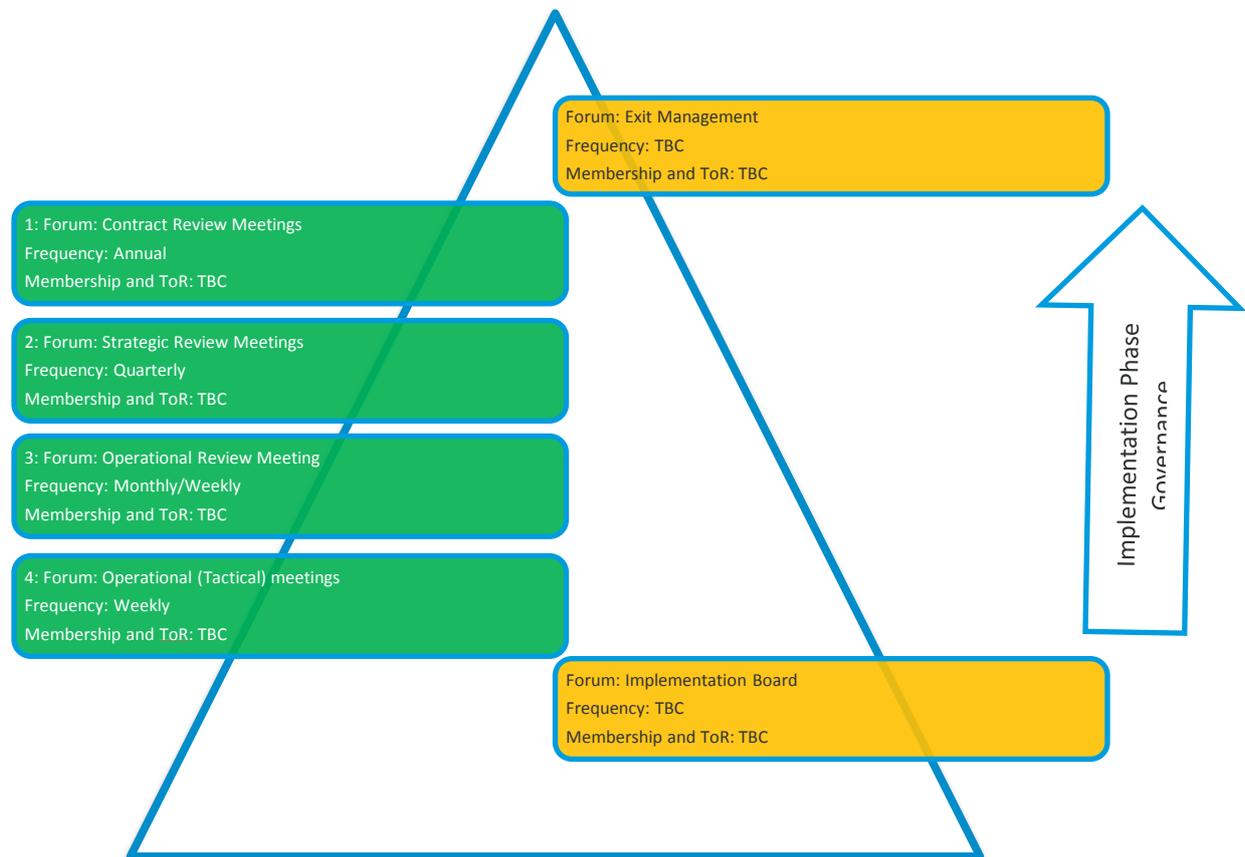
This role should have the appropriate seniority, authority, access to resources and accountability which should be defined and understood by all. The template in Appendix 4 can be used to define and communicate this role.

### 8.5.3 Level 3: Contract Management Governance for each contract – Contract View

Slough is in the process of re-procuring some of its major contracts i.e. Leisure, Repairs, Maintenance and Investment (RMI), Environmental Services etc. and the timing is perfect to ensure that consistent contract management governance is embedded within the contracts.

We propose that a standardised governance structure that is flexible enough for application to all contracts is adopted. The re-designed governance structure should reflect the contract management life-cycle from identification to close out as depicted in Figure 3. In addition, the Council should ensure that contracts categorised as High or Medium are managed at three levels i.e. Strategic, Operational and tactical as depicted in the figure 9 below.

**Figure 9: Proposed Contract Governance Structure**



The governance structure on the left (green tabs) can be adopted once the contract is fully operational. However, if the contract is yet to be implemented, it is advised that a separate implementation board is set-up which mainly focuses on implementation in terms of progress versus plan, service continuity, risk and issues management, setting up the supplier for success by introducing the supplier to the Council, and change control etc. during the contract set-up phase. The main task of this governance set-up is to ensure seamless service transition when the contract goes Live.

In addition, for some contracts, the Council will need to set-up an exit management team who will need to ensure that the contract exit is cost effective, efficient and does not have a negative impact on the service delivery whilst the contract is re-procured. This team will be vital in feeding lessons learnt from the existing contracts into the new contract.

Proposed membership for the above governance meetings is outlined in Table 2 below:

**Table 2: Forums and membership**

Governance Meeting	Council Membership  I: By Invitation  C: Compulsory	Supplier Membership
1. Contract Review (Annual)	<ol style="list-style-type: none"> <li>1. Elected Members for services and contract manager portfolio holder (C)</li> <li>2. Chief-Executive (C )</li> <li>3. Strategic Director for relevant services (C)</li> <li>4. Assistant Director Procurement and Commissioning (C )</li> <li>5. Head of Contracts (C)</li> <li>6. Senior accountable officer (C )</li> <li>7. Business Partner (High) (C )</li> <li>8. Client lead (C)</li> <li>9. Contract Manager (I)</li> </ol>	To be decided but must mirror the Council’s seniority level and must have a representative from the supplier with an authority to make decisions.
2. Strategic Review Meeting (Quarterly)	<ol style="list-style-type: none"> <li>1. Elected Members for services and contract manager portfolio holder (C)</li> <li>2. Assistant Director of Procurement and Commissioning (C)</li> <li>3. Head of Contracts (C)</li> <li>4. Senior accountable officer (C )</li> <li>5. Business Partner (High) (C )</li> <li>6. Client lead (C)</li> <li>7. Contract Manager (C)</li> </ol>	To be decided but must mirror the Council’s seniority level and must have a representative from the supplier with an authority to make decisions.
3. Operational Review Meeting (monthly)	<ol style="list-style-type: none"> <li>1. Elected Members for services and contract manager portfolio holder (C)</li> <li>2. Head of Contracts (C)</li> <li>3. Senior accountable officer (C )</li> <li>4. Business Partner (High) (C)</li> <li>5. Client lead (C)</li> <li>6. Contract Manager (C)</li> </ol>	To be decided but must mirror the Council’s seniority level and must have a representative from the supplier with an authority to make decisions
4. Operational Meeting (Weekly)	<ol style="list-style-type: none"> <li>1. Contract manager (C)</li> <li>2. Client Lead/s (C )</li> </ol>	Key operational staff

#### 8.5.4 Level 4: Individual contract management roles and responsibilities (R&R) – Individual View

The Council wide roles and terms of reference should be defined for contract management roles, i.e. Contract Manager, Accountable Officer, Client lead, Subject Matter Experts etc. This needs to be communicated to all teams and suppliers.

In addition, the contract management activities across all contracts should be mapped. A “RACI” (Responsible, Accountable, Consulted and Informed) approach to determine contract management activities should be adopted to ensure roles and responsibilities are understood and documented for both stakeholders and teams. A suggested RACI template which incorporates the Best Practice Contract Management Framework is included in Appendix 4.

##### **Recommendation 6:**

A consistent and Council wide governance structure should be in place to manage contracts. The governance structure needs to be established at four levels:

Level 1: Contract Management needs to be included within a Cabinet Member’s portfolio as a separate function.

Level 2: A Council wide end-to end governance structure which deals with the contracts across their life-cycle need to be established. The proposed CPC board may meet this need. Each contract should have a designated accountable officer.

Level 3: The contracts need to be managed at Strategic (annual/quarterly), Operational (monthly) and Tactical (weekly) level. This governance structure needs to be embedded within each contract where appropriate.

Level 4: The roles and responsibility for each contract management activity should be clearly defined using RACI (Responsible, Accountable, Consulted and Informed). A proposed template for this purpose is included in Appendix 4.

## 8.6 INVEST in commercial capability and capacity

### 8.6.1 Contract management capability

Per the Society of Procurement Officers “*Contract management requires specialist skills which Councils often fails to recognise.*”

Out of the thirty-eight stakeholders we interviewed, only four stakeholders have been on some type of contract management training. Furthermore, there appears to be a challenge in sharing resources, skills and knowledge within and across contracts and functions within the Council.

The Council should clearly define the contract management skills and experiences required and actively recruit and train stakeholders to acquire these. Some of these skills and experiences are outlined below. The list below is not exhaustive and should be reviewed by the Council as part of implementing the recommendations:

1. **Attention to detail:** Ability to understand the contractual requirements, how the contract aligns with the Council’s objectives and how these objectives are being delivered by the suppliers;
2. **Relationship management:** Build strong relationships across the Council with various stakeholders, user groups and client leads, suppliers and ability to create platforms to collaborate amongst key strategic partners;
3. **Negotiation:** Strong negotiation, commercial acumen and financial skills;
4. **Project management:** A good understanding of project management disciplines;
5. **Communication:** Ability to implement and facilitate the necessary communication and reporting lines; ability to encourage communication and willingness to share knowledge and information; and facilitating openness to constructive feedback without emotional bias;
6. **Leadership:** Ability to establish the necessary leadership, teams and effective delegation of responsibility;
7. **Agile:** Open-minded towards other functions and cultures, and able to understand their objectives, techniques, methods and cultures;
8. **Teamwork:** Encouraging teamwork, networking, responsiveness, ethical, emphatic and social thinking; and
9. **Outcome focused:** Outcome-oriented, and able to reach a compromise between different interests, without the lack of the ability to take decisions.

### 8.6.2 Contract management capacity

The current capacity issue should be addressed by training and recruiting sufficient high calibre staff who are dedicated to managing contracts. At an individual contract level, the required level of resources is contingent on the contract management categorisation i.e. a high category contract will require more resources to manage it, as compared to a low category contract. The exact size of the contract management team should be determined on a case by case basis using the following key principles:

1. **Client Lead/s:** The Client team may be Thin or Thick and is dependent on the size of the retained function. The contract manager may have a solid or dotted line to the client lead dependent on where the client lead is situated within the structure and the nature of the contract. Dependent on the number of services that utilise the contract to deliver services, it is possible that a contract may have multiple Clients such as arvato and Environmental Services;

2. **Contract Administrator/s:** The numbers of staff are dependent on the complexity and size of the contract. As an example, this role can cover tasks such as finance data analytics, budget monitoring and Purchase 2 Pay (P2P) etc.
3. **Contract Support Officer:** As an example, this role can cover tasks such as certain contract management activities, report writing and attending certain meetings, etc.
4. **Other principles:**
  - The starting point for determining the size of the contract management team should be contract categorisation (see Table 1) which should start at the commissioning stage; and
  - Following the contract categorisation, the RACI matrix (Appendix 3) should be used to finalise the size of the contract management team and to assign specific roles and responsibilities.

An example contract team for a High category contract is outlined in Figure 10 below:

**Figure 10: Proposed contract management team**



**Recommendation 7:**

The Council should ensure that high calibre staff with appropriate contract management skills are trained and recruited to manage contracts. High category contracts should have the most capable resources allocated to them.

Sufficient dedicated contract management resource should be in place to implement robust contract management as well as deal with *ad-hoc* project and contract management requirements. The resources should be allocated in accordance with the contract categorisation as set-out in Table 1 section 8.2.

## 8.7 MAKE risk and opportunity (R&O) management an integral part of contract management

### 8.7.1 Risk management

Risk Management should be a fundamental part of how decisions are made about commissioning, procurement and contracting because:

1. In many parts, the contracts are one way of transferring risk to those who are better at managing it than the Council itself; however
2. The ultimate risk can never be transferred as the statutory duty to deliver the services remains with the Council.

Therefore, risks should be considered across the contract life-cycle. Examples of some of the risks which should be assessed, managed and actively monitored, are risk of service and supplier failure; reputational damage; political risks, legal and compliance risk and additional costs, etc.

Once the core risks associated with a contract have been identified, the scale and importance of each risk needs to be quantified. This can be done by assessing two elements;

1. The likelihood (probability) of the risk materialising; and
2. The impact if the risk does materialise.

Once the risk is identified, quantified and its likelihood and impact is assessed, the Council should decide how to manage the risk. Figure 11 below outlines some of the options available to the Council.

**Figure 11: Risk management options**



If a decision is made to transfer the risks to third parties, the contract manager should still include this on their contract management plan to assess risk management effectiveness by the supplier and to ensure that the risk does not come back to the Council. In addition, this is important to prevent the Council from having to pay for it again, as the contract price already includes a premium for risk management.

### 8.7.2 Opportunity management

In addition to managing risk, the other aim of enhanced contract management is capturing additional value, above and beyond what is defined in the original contract. Examples include:

1. Considering if the service can be provided in a different or innovative manner which brings value to the residents and may not always have a cost to the supplier;
2. Exploring alternative service delivery models that provide a “win-win” opportunity; and
3. The cost reduction arising from redefining internal process or by collaborating across the Council or with strategic partners.

The potential for value improvement in a contract should be assessed in a similar way to assessing the risks. Opportunities need to be identified and then quantified in terms of their feasibility and their potential size or impact.

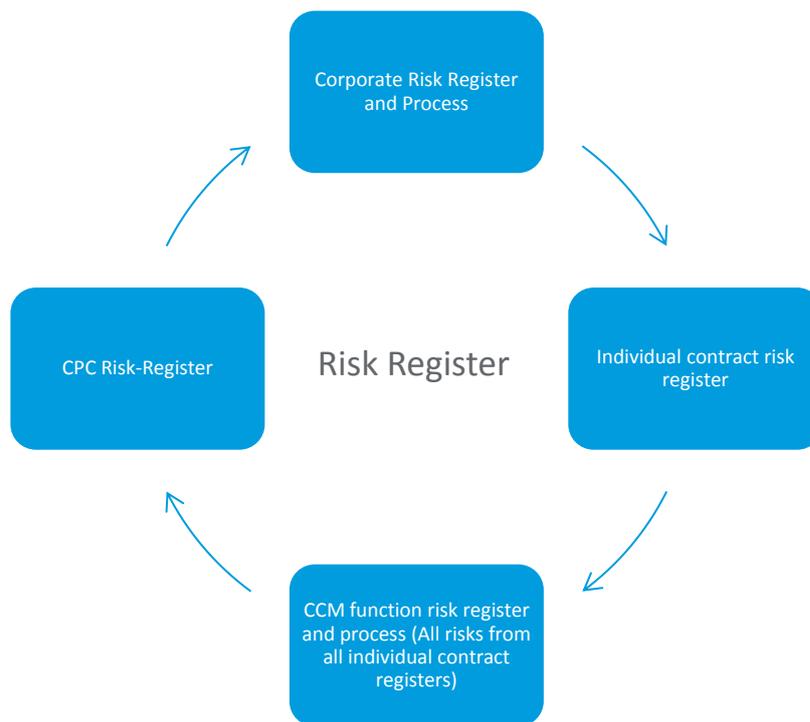
Any possible opportunities identified by the suppliers at the procurement stage should be captured and realised during the operational phase of the contract where possible.

### 8.7.3 Proposed approach to manage risk register for contracts

We propose that the Council uses the RACI matrix in Appendix 3 to assign risk management accountability and responsibility for contracts. As a general principle, this process should follow the contracts across its life-cycle as depicted in Figure 3.

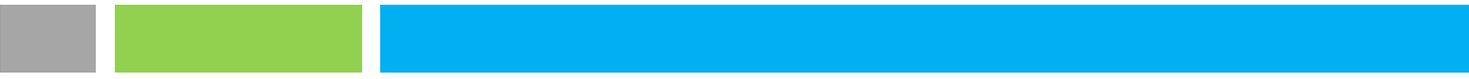
The risk management process should be streamlined and link together risk reporting at various levels i.e. corporate, CPC, and service level. A proposed risk and opportunity management process for the Council is described in Figure 12 shown below:

**Figure 12: Risk register process**



**Recommendations 8:**

Analysis and management of contract risks and opportunities should be a driver for many of the contract management activities. The Council should ensure that:

- 
1. Council wide risk management process for contracts should be owned by the Head of Contracts;
  2. Risk analysis processes are carried out consistently on all contracts. Performance, commercial, reputational, supplier and service failure, business continuity, supply chain, financial, political risks must be identified (amongst others) and actively managed to ensure controls are in place for mitigation and monitoring;
  3. Risk management reporting should be part of contract and supplier performance reporting for individual contracts as well as for Council wide risk management reporting;
  4. Risk management process for contracts should be consistently used across all contracts. The process should also be reviewed against best practice to ensure it has sufficient flexibility to accommodate differing levels of contract complexity. The process should be communicated to all contract management stakeholders and ensure responsibilities are understood; and
  5. End-to-end service delivery processes should be understood and any dependencies and inter-dependencies should be captured and managed as part of the R&O management process. This process should be owned by the Head of Contracts as part of overall contract related risk management process.

## 8.8 CONSIDER investing in a contract management system

### 8.8.1 Contract management system

A contract management system can help with contract and document management. To decide whether to invest in a contract management system, the Council should first define its contract management requirements. Some key requirements are outlined below, however the list is not exhaustive and there may be specific requirements which are not captured below. Therefore, the Council should review and further refine these as part of the business case to invest in contract management system.

#### **Basic Contract Register and Document Management System should:**

1. Provide a comprehensive Contract Register with mandatory fields for; department, supplier name, nature of the services/goods procured, contract value, estimated annual value, contract start date, contract review date, contract end date, actual spend to date, contract variation amount, actual annual spend for last financial year, contract categorisation – i.e. High, Low or Medium, contract manager and his/her contact details, location of the contract documentations including all variation,; and contract extension provisions;
2. Provide a central database for contract management guidance;
3. Support contract archiving e.g. for electronic filing and administration of documents;
4. Act as a central repository for all documents related to contract management including contract summaries, KPI reports, change controls, key e-mails, minutes of the meetings, audit trail of key decisions and escalation steps etc. and
5. Be accessible to everyone within the Council but can only be updated by the contract manager or contract administration officer.

#### **An advanced Contract Management System should:**

1. Have functionality to support contract planning and scheduling as well as send out automatic reminders when certain events are due such as deadline for information from suppliers, annual benchmarking, open book review etc.;
2. Interface with the Councils' finance system to extract financial data for each supplier and compare it to the annual contract value and the budget; and send out reminders to designated stakeholders to investigate any variances;
3. Support the best practice contract management framework with ability to assist staff in categorising the contracts, followed by the relevant set of activities which needs to be performed for the assessed contract; and
4. Support CCM team by generating pre-defined reports, etc.

#### **Recommendation 9:**

1. The Council should ensure a comprehensive Contract Register is created and is owned by the Head of Contracts. For each contract, the contract register should include the name of the department, supplier name, nature of the services/goods procured, contract value, estimated annual value, contract start date, contract review date, contract end date, actual spend to date, actual annual spend for last financial year, contract categorisation – i.e. High, Low or Medium, contract manager and his/her contact details and the location of the contract documentations including all variations; and

- 
2. As a minimum, the Council will need a Contract Register and/or a Contract Database to store contracts and contract related documents but as the Council moves up the maturity level, it should consider investing in a contract management system. This will assist in implementing an improved contract management function. If a decision is made to Invest in a system, the Council should carefully consider its requirements before procuring/implementing such a system.

## 8.9 AVOID the implementation pitfalls

### 8.9.1 Key implementation challenges

The implementation of recommendations in this report can be challenging, difficult and slow. Some of the reasons for this are:

1. Politics involved in coordinating different teams and functions within the Council can create barriers to change if they are not managed effectively;
2. One of the most difficult issues surrounding change is the expectation that it can be implemented quickly. In our experience when the change is implemented too fast it is difficult for those impacted to adjust. The conflict between the need to implement change quickly with the need of the Council (more time to adjust) make it difficult to strike an appropriate balance;
3. The expectations from implementing change may be unrealistic and inconsistent across the Council. It may take years before the benefits of implementing change can be quantified, therefore the change process needs to find ways to get buy-in from key stakeholders and keep the momentum going whilst the recommendations are implemented;
4. Ingrained organisational cultures and norms that may be resistant to change. Any change can't be effective without an underlying change in the culture of the organisation, which requires strong senior leadership and commitment to change;
5. The contract management skills and expertise are inconsistent across the Council. Therefore, everyone's vision of what the possible solution will look like is also inconsistent. Council wide consensus on the contract management change may be difficult to achieve; and
6. Some stakeholders and functions may resist the introduction of corporate controls and may not necessarily see why this is needed.

#### Decide how the action plan will be communicated and delivered

The way in which the action plan is communicated, developed and introduced will have a bearing on its success. The action plan should be managed and delivered as a formal project to set up and bring about the required changes to contract management within the Council. Key points to consider are outlined below:

1. **Secure** leadership from the top in relation to who will sponsor the change. This should be communicated as widely as possible;
2. **Involve and secure buy-in** from key stakeholders across the Council;
3. Continuous and clear **communication** on the proposed plan, key milestones achieved, key success stories, how to get involved, continuous feedback and what happens next etc.;
4. The **delivery** of the action plan should be delivered and managed as a **project**;
5. **Appoint a high calibre** project manager to oversee the implementation;
6. The project manager should first define the **full scope** (e.g. one function or the entire Council and type of contracts) and **approach to implement** the recommendations and the scope of contract management;
7. The delivery against the project plan should be **monitored and communicated** alongside obtaining feedback from users and stakeholders;
8. **Appoint** change champions across the Council;

- 
9. Stakeholders should be supported during the change process by providing adequate **training, guidance and tools**;
10. Effective **risk management** should form part of implementing recommendations. Some of the usual project management risks are outlined below. These should be reviewed and refined as part of the project plan;
- Lack of adequate resources to deliver the action plan;
  - The required level of contract management capacity and capability may not exist within the Council;
  - There may be budget constraints in training and hiring the required level of contract management capacity and capability;
  - Other initiatives across the Council are prioritised;
  - Lack of investment in activities to change culture and behaviours;
  - The change is not supported and advocated by senior leadership; and
  - The functions which are resistant to change are not effectively managed and have a negative impact on the effectiveness of change.

### 8.9.2 Secure some quick wins

Based on our experience, the type of change the Council is seeking can take years to implement and embed within the culture of the organisation. However, there are quick win recommendations which should be prioritised by CCM.

An example of some quick win recommendations is drafting a contract manual/handbook, reporting templates, having a complete and comprehensive contract register in place, scanning and storing of contracts, establish change/interest groups and communicate early wins, comprehensive spend analysis which is accurate and up to date etc.

#### **Recommendation 10:**

To ensure the contract management change is delivered successfully and effectively, the Council needs to ensure that:

1. Buy-in from senior leadership and key stakeholders is secured;
2. Implementation of recommendations should be managed as a programme;
3. High calibre dedicated resources are committed to implement the recommendations including a dedicated Project Manager;
4. Effective risk management should form an integral part of the change programme; and
5. CCM secure some quick wins, such as complete and comprehensive contract register and spend analysis.

# APPENDIX 1: LIST OF INTERVIEWEES

Our list of interviewees was limited to the following:

Ref:	Name	Role
1	Tracy Luck	AD Strategy & Engagement
2	Roger Parkin	Director CCS
3	Ruth Bagley	Chief Executive
4	Joe Carter	AD Assets Infrastructure & Regeneration
5	Alan Sinclair	AD Adult Social Care
6	Neil Aves	AD Housing
7	Gurpreet Anand	AD Procurement & Commercial Svcs
8	Christina Heffron	AD OD & HR
9	Joseph Holmes	AD Finance & Audit
10	Krutika Pau	Interim DCS
11	Cllr Anderson	Leader of Council
12	Cllr Shariff	Commissioner for Performance & Accountability
13	Cllr Chauhan	Chair of Audit & Risk Committee
14	Angela Snowling	Consultant in Public Health
15	Amardip Healy	Head of Legal
16	Surjit Nagra	HR Business Partner
17	Nick Hannon & Team	Environment Strategy & Governance
18	Sing Wai-Yu	Project Manager for Highways
19	Ketan Ghandi	Head of Young Peoples Svcs
20	Savio de Cruz	Head of Transport
21	Ian Coventry & Team	Environmental Services Manager
22	Alison Hibbert & team	Leisure Strategy Manager
23	Charan Dhillon & Team	Head of FM
24	Neale Cooper	Finance Business Partner
25	Vijay McGuire & Team	Partnership Development & Client Manager
26	Simon Pallett & Team	Head of IT

27	Procurement Team	
28	Craig Brewin & Team	Head of Service Care Organisation Commissioning
29	John Griffiths & Team	Head of Neighbourhood Services
30	Ginny de Haan	Head of Consumer Protection & Business Compliance
31	Philip Wright	Head of Lifelong Learning
32	Adrian Thomas	Head of Property Services
33	Sanjay Dhuna	Head of Building Control & Planning
34	Natasha Jones	Contracts and Performance Manager
35	Kam Hothi	Head of Parking
36	Kamal Lallian and Alan Cope	Interserve Contract Manager
37	Harjinder Jutla	Procurement
38	Mike England	Strategic Director Regeneration, Housing and Resources

## APPENDIX 2: GLOSSARY AND DEFINITIONS

The following terms and abbreviations are used throughout the guide documents:

Term/Abbreviation	Description
Contract Manager	Contract owner, Council's staff responsible for the management of the contract.
Corporate Contract Management (CCM)	Central contract management function created under the Head of Contracts.
Client Lead	Person appointed by the accountable officer to represent service delivery side of the contract.
Senior Accountable Officer (SRO) or the Accountable Officer	Person who is accountable for service delivery, strategy, policy, and the budget/cost centre that funds the contract.
Contract Administration Officer	Perform administrative activities over the contract management life-cycle.
Life cycle contract management	Proactive, methodical management of contracts from initiation through award, operational phase, renewal or exit.
CPC	Commissioning, Procurement and Contract Management board
Thick client	Size of the retained function is significant i.e. more than five staff members.
Thin client	Size of the retained function is quite small i.e. less than five staff members.
Gateway review	A way of providing assurance to senior managers that a procurement project is on track for successful delivery.
Spend analysis	Analysis of how much is spent, on what and with whom (third parties).

# APPENDIX 3: HOW THE RECOMMENDATIONS ADDRESS INTERNAL AUDIT CONCERNS?

Internal Audit Concerns	Recommendation Ref:
<p><b>Lack of strategic oversight</b></p> <ul style="list-style-type: none"> <li>• Poor / ambiguous governance arrangements with no overarching strategic oversight of contract management and governance across the Council.</li> </ul>	1, 3, 4, 5, 6
<p><b>Weak contracting processes</b></p> <ul style="list-style-type: none"> <li>• Weak contracting processes with very little documented contractual information and very few contractual review mechanisms, which has raised concerns about the ability of the Council to both achieve and be assured of effective contract management.</li> </ul>	1, 3, 9
<p><b>Poor KPIs</b></p> <ul style="list-style-type: none"> <li>• Non-existent or poor Key Performance Indicators (KPIs) in contracts, which has prevented the Council understanding potential negative contract performance issues and the created legal, financial, political and reputation risks for the Council.</li> </ul>	2, 3
<p><b>Lack of robust challenge</b></p> <ul style="list-style-type: none"> <li>• Additionally, where KPIs exist, a lack of data validation and benchmarking processes were identified, preventing the Council from being assured of KPI accuracy and whether provided services demonstrated value for money.</li> </ul>	2, 3
<p><b>Lack of organisation wide steer on Contract Management</b></p> <ul style="list-style-type: none"> <li>• Lack of strategic planning and reporting processes, policies, procedures and documentation; placing contracts at risk of non-performance and non-delivery due to an inability to consistently monitor / manage operational and strategic performance</li> </ul>	1, 2, 3, 6
<p><b>Contract Management Capacity and Capability issues</b></p> <ul style="list-style-type: none"> <li>• Inadequate workforce and capacity to manage the Councils contracts, preventing sound supplier performance management and potential adverse contract delivery.</li> </ul>	1, 2, 3, 7
<p><b>Poor value for money</b></p> <ul style="list-style-type: none"> <li>• Supplier non-compliance against contract specification and requirements resulting in services not being provided as required by the Council.</li> </ul>	1, 2, 3, 6

# APPENDIX 4: CONTRACT MANAGEMENT RACI MATRIX

R A C I	<b>Responsible:</b> The person who is actually carries out the process or task and is responsible for getting the job done. <b>Accountable:</b> The person who is ultimately accountable for process or task being completed appropriately. Responsible person (s) are accountable to this person. <b>Consulted:</b> People who are not directly involved with carrying out the task, but who are consulted i.e. legal, procurement, finance, Subject Matter Experts etc. <b>Informed:</b> Those who receive output from the process or task, or who have a need to stay informed.	Cabinet Member	Senior Responsible Officer (SRO)	Contract Manger	Client lead	Contract Administrator	Finance	Legal	Procurement	specialist advisers	Contract Management Plan	Schedule	Risk Register	Communication Plan	Stakeholders Map	Commercial Guide	Contract Documentation	Supplier Performance Report	CPC Board Report	Contract- Deliverable Specification	Contract- performance and payments arrangements
		Gives formal approval																			
	Document is used																				
	Documents are created or updated																				
<b>Good Practice Contract Management Framework</b>	<b>Key activities/tasks</b>																				
Alignment																					
Engagement																					
Innovation																					
Risk																					
Relationship																					
Change																					
Performance																					
Schedule																					
Finance																					
Skills/People																					
Ownership																					
Planning																					



## FOR FURTHER INFORMATION CONTACT

**Manpreet Mahal**  
Consulting Director

RSM  
25 Farringdon Street  
London  
EC4A 4AB

[manpreet.mahal@rsmuk.com](mailto:manpreet.mahal@rsmuk.com)