

# Audit, Governance and Standards Committee

18 September  
2017

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

## Contract Management

<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Head of Service</b>	Georgia Hawkes – Head of Commissioning and Business Improvement
<b>Lead Officer and Report Author</b>	Georgia Hawkes – Head of Commissioning and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	None

### **This report makes the following recommendations to this Committee:**

1. Audit, Governance and Standards Committee notes progress in implementing good practice in contract management.

### **This report relates to the following corporate priorities:**

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

The report relates to both of the corporate priorities as good contract management ensures that outsourced services deliver the Council's objectives effectively and efficiently. Many of the Council's highest value contracts contribute to one or both priorities e.g. waste collection, Leisure Centre management, parking enforcement etc.

### **Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	18 September 2017

# Contract Management

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 Recent audit reviews of major contracts have indicated some inconsistency in the standard of contract management across different contracts and services. This report sets out the Council's current contract management arrangements and steps that are being taken to raise the overall standard of contract management.

## 2. INTRODUCTION AND BACKGROUND

2.1 Most of the Council's 10 largest major contracts and outsourced services have been audited in the past 6 years. Details are shown in the table below.

No.	Contract	Company	Team	Contract Value	Start Date	End Date	Audit Plan	Assurance
1	Waste Collection Services	Biffa Municipal Ltd	Waste Management	£8,610,235	01.08.13	21.10.23	2014/15	SOUND
2	Leisure Centre Management	Serco International	Leisure	£6,450,000	15.02.09	14.02.24	2014/15	SOUND
3	Management of Cobtree Golf Course	Mytime Active	Leisure	£4,030,555	09.01.17	08.01.37	2010/11	SUBSTANTIAL
4	Management of the Hazlitt Theatre	Parkwood Leisure Ltd	Leisure	£3,543,677	01.10.13	30.09.23	2016/17	WEAK
5	Park & Ride	Arriva Southern Counties Ltd	Parking Services	£3,030,476	29.03.14	31.05.18	2016/17	WEAK
6	Parking Enforcement	APCOA Parking Ltd	Parking Services	£2,675,586	01.06.11	31.05.18	2012/13	SUBSTANTIAL
7	Insurance	Zurich Insurance Company	Finance	£2,045,891	01.04.16	31.03.21	2011/12	HIGH
8	CCTV Monitoring	Medway Council	Community Safety	£1,680,231	01.12.11	31.03.18	2013/14	SUBSTANTIAL
9	Gas & Electricity	Laser	Property Services	£1,000,000	30.09.16	29.09.20	Not on audit plan	N/A
10	Electrical Maintenance	OpenView Security Solutions Ltd	Property Services	£844,199	01.07.15	30.06.20	Not on audit plan	N/A

2.2 The assurance ratings mean the following:

- **Strong (or High)** - Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk.
- **Sound (or Substantial)** - Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks.
- **Weak** - Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims.
- **Poor** – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole.

2.3 The majority of the contracts have received positive audits, with the exceptions being management of the Hazlitt theatre and Park & Ride, which both received a Weak level of assurance. Improvement action plans are in place to address the audit recommendations for both services. However, both areas have had staffing issues which have delayed implementation and embedding of some of the actions, so it has not yet been possible to re-visit the audit ratings.

2.4 Neither the Laser gas and electric nor the electrical maintenance contracts have been audited. The Internal Audit team deems the Laser contract low risk as it is essentially a buying consortium to obtain competitive energy prices. Therefore, there are no plans to audit this in the future. However, the team will consider whether the electrical maintenance contract should be included in a future audit programme.

2.5 The type of monitoring required and monitoring arrangements for each contract are shown in the table below.

Contract	Type of monitoring required			Monitoring arrangements
	Contract Performance	Statutory compliance	Property / Facilities	
Waste Collection Services	✓	✓		Monthly health and safety meeting, daily crew checks, weekly reviews of performance, vehicle record checks and quarterly mid-Kent monitoring meeting
Leisure Centre Management	✓	✓	✓	Monthly operational meetings, performance reports, quarterly strategic performance meetings, bi-annual health and safety inspections, ad hoc visits, checking of relevant safety certificates, annual partnership meetings
Management of Cobtree Golf Course	✓	✓	✓	Monthly operational meetings, performance reports, quarterly strategic performance meetings, bi-annual health and safety inspections, ad hoc visits, checking of relevant safety certificates, annual partnership meetings
Management of the Hazlitt	✓	✓	✓	Monthly operational meetings, performance reports, quarterly strategic performance meetings, bi-annual

Theatre				health and safety inspections, ad hoc visits, checking of relevant safety certificates, annual partnership meetings
Park & Ride	✓	✓		Daily reports, visits to supplier's premises, monthly service review meetings, user surveys, mystery shopping,
Parking Enforcement	✓	✓		Daily reports, weekly service review meetings, monthly performance reports, annual reports, annual reviews, random on-street checks, daily liaison with supplier
Insurance				Liaison with the supplier over cover and claims
CCTV Monitoring	✓	✓		Quarterly partnership board meetings, operational group meetings, monthly incident reports, camera fault reports
Gas & Electricity	✓			Comparison of quotes from Laser against the market, check bills against actual consumption
Electrical Maintenance	✓	✓		Monthly performance reviews, checks against requests for payment before contractor raises invoices

2.6 It should be noted that the monitoring arrangements for Maidstone Leisure Centre, Kent Life, Hazlitt and Cobtree Golf Course are currently being reinforced following the departure of the former Contract Monitoring Officer in the Parks and Leisure team and the commencement of a new contract for Cobtree Golf Course. Also, the current Park and Ride and Parking Enforcement contracts will come to an end in 2018, so contract monitoring arrangements may change slightly under any new contracts.

2.7 In addition to the monitoring arrangements shown above, contract performance is monitored by Committees through performance reports e.g. usage figures for the Leisure Centre and percentage of tickets sold at the Hazlitt Theatre. Further monitoring also takes place monthly and quarterly through financial reports and quarterly meetings between the Director of Finance and Business Improvement and each Head of Service.

2.8 The Council also undertakes high value construction projects, which involve a one off spend with a contractor. For example, phases 1 and 2 of the town centre public realm improvements cost approximately £3.6M in total. These projects were well managed and delivered high quality products through use of these key contract management and project management arrangements:

- Use of a NEC contract – this included a specific and specialised Project Manager role to manage the contract for the capital works
- Appointment of a highly skilled and experienced Project Manager
- The NEC contract allowed for the use of early warning notices from the contractor that warned that something might go wrong that could result in a compensation event: a payment from the Council to the contractor. The early warning notices then allowed for discussions to be had at the time so there were no protracted negotiations about cost at the end of the contract
- Good use of PRINCE2 and the Council's Project Management Toolkit

- A Project Board made up of key internal stakeholders to which the Project Manager reported. The Board met monthly and made key decisions and authorised changes. Due to the Board being in place, the project had the right leadership and governance and significant decisions were made at the right level, including a significant design change required to keep the project on budget
- A monthly operational project team that included Kent County Council, the design team and representatives from teams involved across the Council e.g. Finance, Property Services and Communication
- Documentation and good records of meetings and decisions

2.9 The successful delivery of these projects shows how important is it to pick the right sort of contract for the different types of capital works we carry out. Contract type is always considered carefully with all of our construction projects.

2.10 It has been recognised that contract management should be improved across the Council and the following actions have been taken:

- Creation of the position of Head of Commissioning and Business Improvement, with a portfolio that covers all elements of commissioning, including procurement and contract management
- Replacing the former Contract Monitoring Officer role with a higher grade Contracts and Compliance Officer – Leisure and Culture, and moving the management of this role from the former Parks and Leisure team to the Head of Commissioning and Business Improvement. This post monitors the major outsourced leisure and culture contracts: Maidstone Leisure Centre, Hazlitt Theatre, Kent Life and Cobtree Golf Course. The post is currently being covered by a temporary agency officer whilst we complete the recruitment to the substantive role
- A contract monitoring expert has undertaken an audit of the leisure and culture contracts and put in place much more robust monitoring arrangements for statutory compliance and contractual performance. This has really helped to raise standards in supplier delivery for some of these contracts

2.11 Further improvements to raise the standard of contract management are planned for 2017/18. For example:

- A refreshed Commissioning and Procurement Strategy that encompasses contract management
- Clearer guidelines on good contract management to be utilised across the council
- Provision of contract management training for key officers

2.12 The integration of procurement and contract management for a number of key contracts under the Head of Commissioning and Business Improvement will ensure that effective contract management is built into commissioning arrangements from the outset. Whenever a service is commissioned, consideration will be given to the capacity of the host service to monitor performance, hold service providers to account, and to get the best possible value from the contract. In this way, good contract management will be embedded into our commissioning arrangements.

---

### 3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 The Committee should note the current contract management arrangements for the Council's largest contracts, the changes that have made and the further improvements planned to improve contract management across the Council.

---

### 4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

4.1 Audit, Governance and Standards Committee has previously requested an update on contract management across the Council.

---

### 5. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	Good contract management helps the Council deliver its corporate priorities, especially through its major contracts to deliver outsourced services.	Georgia Hawkes 31/08/17
<b>Risk Management</b>	Without effective contract management, the Council is at risk of not meeting its statutory responsibilities or failing to provide services of a sufficiently high quality. The improvements detailed in the report help to mitigate this risk.	Georgia Hawkes 31/08/17
<b>Financial</b>	Ineffective contract management can lead to the Council incurring unnecessary additional costs.	Finance Team 07/09/17
<b>Staffing</b>	The staffing structure has already been revised to improve all aspects of commissioning, including contract management.	Georgia Hawkes 31/08/17
<b>Legal</b>	MKLS can assist commissioning officers by securing the necessary terms at the procurement and negotiation stages at the start of the contract to ensure	Team Leader (Contracts and Commissioning) MKLS

	good contract management throughout its term.	
<b>Equality Impact Needs Assessment</b>	An EqIA is not required. However, equalities will be required to be a consideration of all contracts, ensuring all contracts managed are compliant with the Council's values, in line with the Public Sector Equality Duty and as set out in the council's Equalities Policy and objectives 2017-21.	Anna Collier 07/09/17
<b>Environmental/Sustainable Development</b>	No implications	Georgia Hawkes 31/08/17
<b>Community Safety</b>	No implications	Georgia Hawkes 31/08/17
<b>Human Rights Act</b>	No implications	Georgia Hawkes 31/08/17
<b>Procurement</b>	No procurement required. The changes to staff structure will improve the links between all the aspects of commissioning, including procurement and contract management.	Georgia Hawkes 31/08/17
<b>Asset Management</b>	Good contract management helps to ensure that the Council's assets that are managed by other organisations, like the Hazlitt Theatre, are maintained correctly.	Georgia Hawkes 31/08/17

---

## 6. BACKGROUND PAPERS

None.