

**Contract Management Update**

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|-------------------------------------------|-----------------------------------------------------------------|
| <b>Final Decision-Maker</b>               | Audit, Governance and Standards                                 |
| <b>Lead Head of Service/Lead Director</b> | Mark Green – Director of Finance 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>                     | All                                                             |

**Executive Summary**

This report details progress on the planned improvements to contract management, following an internal audit review completed in November 2018.

**This report makes the following recommendations to Audit, Governance and Standards Committee**

1. That the progress to improve contract management corporately be noted.

**Timetable**

| <b>Meeting</b>                            | <b>Date</b>   |
|-------------------------------------------|---------------|
| Audit, Governance and Standards Committee | 18 March 2019 |

# Contract Management Update

## 1. INTRODUCTION AND BACKGROUND

- 1.1 The Council outsources a number of its services, including management of Maidstone Leisure Centre and its waste and recycling service. These outsourced arrangements have to be monitored and managed to ensure that the services are being delivered to the specified level and that the envisaged outcomes are being achieved. The monitoring of these different contracts is done by the relevant service area, as opposed to a central team. The exception to this is the leisure and culture contracts (Hazlitt, Maidstone Leisure Centre, Kent Life, Cobtree golf course and the cafés) which are all monitored by the Contracts and Compliance Officer – Leisure and Culture role, a role which sits in the portfolio of the Head of Commissioning and Business Improvement. This role was transferred into the central team in 2017 and strengthened by increasing the responsibilities and grade from the previous Monitoring Officer role.
- 1.2 The Head of Commissioning and Business Improvement has previously reported to this committee on contract management arrangements and planned improvements in September 2017 and November 2018. The most recent report in November 2018 advised committee that the Council's highest value contracts are being well managed, as confirmed by Internal Audit reports carried out for each of the highest risk contracts. However, the report also highlighted that an internal audit report of contract management controls completed in November 2018 had returned a Weak level of assurance rating and concluded that, whilst there was clearly good practice in the management of the leisure and culture contracts, improvement was required corporately.
- 1.3 Since November 2018, the following actions to improve contract management have been delivered:
  - Standard contract documents have been created by Mid Kent Legal Services and put on the intranet for all officers to use. This ensures that Council officers use the Council's contracts and protects the Council from officers unwittingly entering into contracts proposed by suppliers that are disadvantageous to the Council.
  - The Procurement and Legal teams have undertaken training with the Property Services team to improve the understanding of procurement processes and contract preparation.
  - As part of the procurement plan for purchases of goods, services and works above £75k, an assessment must be carried out of the risks associated with entering into the contract. This ensures that consideration is given to the method of procurement, the solution being procured, the questions and requirements in the tender document, and the contract management required, in order to mitigate the risks identified.
  - The contracts register has been updated with the details of all contracts that the central Procurement team have been involved with procuring.

- Quarterly spend analysis is being undertaken by the Procurement team to ensure contracts are in place where they should be.
  - A risk and management actions for contract management has been drafted for inclusion in the Council's corporate risk register
- 1.4 The Contracts and Compliance Officer – Leisure and Culture post holder, who left the Council in January, actually returned to the Council a few weeks later to take up this role again. This is very positive as this officer is extremely well thought of and has implemented a number of improvements since they first started with the Council in September 2017.
- 1.5 In addition, the following new temporary staffing arrangements have been put in place to ensure there is more staff resource available to deliver the actions required to address the findings of the internal audit report and improve contract management across the Council:
- The Contracts and Compliance Officer – Leisure and Culture has temporarily taken on additional responsibilities for 3 months from March 2019 to deliver improvements in the corporate control of contract management. An additional temporary staff resource is being recruited to ensure that the monitoring and management of the leisure and culture contracts does not suffer.
  - From 1 April, the full substantive role of the Procurement and Contracts Manager will be covered on a temporary basis until 31 December. The substantive structure of the Contracts and Procurement team is shown at Appendix A. Currently, the interim structure is that only an Interim Procurement Manager is in place. This new temporary arrangement will allow further exploration of potential closer working opportunities with other Councils whilst ensuring that there is additional resource and oversight given to contract management arrangements at a management level.
- 1.6 Looking at the longer term, consideration is currently being given to whether a permanent role covering the corporate elements of contract management – including ensuring good practice in the management of delivery of contracts as well as oversight of the use of contract documents – is required.
- 1.7 The additional staff resource being put into improving the corporate oversight of contract management means that, by the end of May 2019, the following actions will have been delivered, or substantial progress made towards achieving any that have not been completed:
- Introduce corporate contract management guidance – to include guidance on performance compliance monitoring, how to seek value for money from current contracts, risk management for the contract lifecycle etc
  - Deliver training on good contract management and the new guidelines
  - Identify any additional training needs for contract managers across the Council

- Introduce improved processes for better central procurement and contract document oversight and control e.g. Procurement team to be involved in procurements above £25K (currently the team are only involved in procurements above £75k)
- Set up a network of contract managers from across the organisation
- Introduce a process for identifying, recording and disseminating lessons learned
- Review all existing key contracts to confirm exit plans are a requirement and are in place
- Introduce a central digital repository for completed and signed contract documents
- Create summary documents for key contracts which contain the important elements of the contracts. These can then be used to ensure a smooth handover if a contract manager changes part-way through the contract

1.8 Therefore, there has been positive progress in improving the corporate management and oversight of contract management across the Council, and the majority of issues found in the internal audit review of contract management will have been addressed within the next 3 months.

## **2. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

2.1 The Committee should note the contents of the report, including the improvements already delivered (paragraph 1.3) and the planned actions detailed in paragraph 1.7.

## **3. RISK**

3.1 This report is presented for information. The completed and planned actions detailed in the report mitigate the risk that the Council is not managing contracts properly and that outsourced services are not delivering the level of service required.

## **4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

4.1 Audit, Governance and Standards Committee has previously received updates on contract management across the Council in September 2017 and November 2018.

## **5. CROSS-CUTTING ISSUES AND IMPLICATIONS**

| <b>Issue</b>                          | <b>Implications</b>                                                                 | <b>Sign-off</b>                    |
|---------------------------------------|-------------------------------------------------------------------------------------|------------------------------------|
| <b>Impact on Corporate Priorities</b> | The changes detailed in this report are unlikely by themselves to materially affect | Head of Commissioning and Business |

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                        |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
|                                    | achievement of corporate priorities. However, they will support the Council's overall achievement of its aims through ensuring outsourced services deliver what is required.                                                                                                                                                                                                                                          | Improvement                                                            |
| <b>Risk Management</b>             | Covered in section 3.                                                                                                                                                                                                                                                                                                                                                                                                 | Head of Commissioning and Business Improvement                         |
| <b>Financial</b>                   | There is an additional cost to bringing in external resource support the Contracts and Compliance Officer – Leisure and Culture whilst this role takes on additional corporate responsibilities. A budget has been identified to meet this cost.                                                                                                                                                                      | Section 151 Officer<br><br>Senior Finance Manager (Client Accountancy) |
| <b>Staffing</b>                    | We will need access to extra expertise to deliver the recommendations in a timely manner.                                                                                                                                                                                                                                                                                                                             | Head of Commissioning and Business Improvement                         |
| <b>Legal</b>                       | The actions detailed will help the Council meet its obligations under the Local Government Transparency Code 2015. MKLS is keen to assist with any further training requirements, creating and maintaining a central repository of all contracts and with assessing risk both before the contract is signed and during its term. Another benefit of proper contract management should be the avoidance of litigation. | Contracts and Commissioning Team Leader                                |
| <b>Privacy and Data Protection</b> | No impact.                                                                                                                                                                                                                                                                                                                                                                                                            | Contracts and Commissioning Team Leader                                |
| <b>Equalities</b>                  | An equalities impact assessment will be completed in conjunction with the formulation of the new contract                                                                                                                                                                                                                                                                                                             | Equalities and Corporate Policy Officer                                |

|                           |                                                                                                                                      |                                                                           |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
|                           | management guidelines                                                                                                                |                                                                           |
| <b>Public Health</b>      | We recognise that the actions to improve contract management will not negatively impact on population health or that of individuals. | Head of Commissioning and Business Improvement                            |
| <b>Crime and Disorder</b> | No impact.                                                                                                                           | Head of Commissioning and Business Improvement                            |
| <b>Procurement</b>        | No impact.                                                                                                                           | Head of Commissioning and Business Improvement<br><br>Section 151 Officer |

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## 6. REPORT APPENDICES

Appendix A – substantive structure of Procurement and Contracts team

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## 7. BACKGROUND PAPERS

Contract Management report – Audit, Governance and Standards 18/9/17  
<https://meetings.maidstone.gov.uk/documents/s56824/Contract%20Management.pdf>

Contract Management update – Audit, Governance and Standards 19/11/18  
<https://meetings.maidstone.gov.uk/documents/s63436/Commissioning%20and%20Procurement%20Strategy.pdf>