

**Contract Management update**

<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 improvements to contract management that have been made since September 2017, the findings of a recent internal audit of contract management arrangements and the planned actions to improve contract management across the Council.

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

1. That the status report on contract management and the proposed actions to improve contract management across the Council be noted.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	19 November 2018

# 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 previously reported to this committee on contract management arrangements in September 2017. The report noted that majority of the Council's 10 largest contracts have received positive audits, with the exceptions being management of the Hazlitt theatre and Park & Ride, which both originally received a Weak level of assurance in 2016/17. However, both audits have been revisited and the assurance level has improved to Sound in both cases due to improvements made following the audits. Details of the largest contracts and internal audit ratings are shown 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	SOUND
5	Park & Ride	Arriva Southern Counties Ltd	Parking Services	£3,030,476	29.03.14	31.05.18	2016/17	SOUND
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

No.	Contract	Company	Team	Contract Value	Start Date	End Date	Audit Plan	Assurance
8	CCTV Monitoring	Medway Council	Community Safety	£1,680,231	01.12.11	31.03.18	2013/14	<b>SUBSTANTIAL</b>
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

1.3 Therefore, the Council's highest value contracts are being well managed, and contract management arrangements have actually improved in certain areas since the last report.

1.4 A number of other improvements have also been made to contract management and the process of ensuring contract documents are in place since all the elements of the commissioning cycle, including procurement and contract management, were brought together under the Head of Commissioning and Business Improvement in 2017:

- The improved procurement process for procurements over £75k includes the requirements for the contract manager to be identified as part of and involved in the preparation of the procurement plan, the performance measures and terms and conditions to be included in the tender and agreed before the contract is awarded, the contract document to be signed before commencement of the service, as well as the risks of entering into the contract to be analysed and mitigation measures put in place in the design of the service and contract management arrangements
- The monitoring of all the leisure and culture contracts has improved greatly under the current Contracts and Compliance Officer – Leisure and Culture
- The Contracts and Compliance Officer – Leisure and Culture has received training in health and safety and facilities management, and is currently studying for a Certificate in Contract Management
- The whole of the portfolio of the Head of Commissioning and Business Improvement has been restructured – this included the creation of a Procurement and Contracts Manager who had responsibility for ensuring good contract management across the organisation, as well as a Service Commissioning Officer who would undertake strategic service design reviews using commissioning thinking, including making sure performance management

1.5 However, plans to improve contract management have not progressed as quickly as planned. A key officer in the Procurement team was on long term sick leave for 6 months in 2017/18 and has subsequently left the organisation. In addition, the newly appointed Procurement and Contracts Manager left the organisation in September after only 3 weeks. Temporary arrangements have been put in place, with the Senior Procurement Officer acting up to manage the Council's procurement function and the Contracts and Compliance Officer – Leisure and Culture reporting to the Head of Commissioning and Business Improvement. This means the team is still

understaffed by 1 FTE. Unfortunately, the Contracts and Compliance Officer – Leisure and Culture has also resigned and will leave the Council in December 2018.

1.6 The recent internal audit of contract management controls across the organisation returned a Weak level of assurance rating. The report recognised the improvements that had been put in place linked to the new procurement processes and the good practice employed in managing the leisure and culture contracts, but found that, corporately, improvement was required. The key findings that need to be addressed were:

- There was not enough understanding corporately of all the contracts the Council had entered into
- The published contracts register was not complete
- There was no corporate guidance of what good contract management looked like and the things that should be done
- Following the departure of the Procurement and Contracts Manager, there was not enough staff resource currently with responsibility for Council-wide contract management arrangements
- Whilst there was an understanding of contract risk, there was no formal risk quantification
- Contractor performance is monitored, but there was a lack of understanding around contractual terms around poor performance, and non-performance-based contractual areas were not always monitored
- Those managing contracts generally had not received any training in contract management
- There was no process for ensuring an effective handover if the contract manager changed part-way through the contract
- Value for money is mainly considered at the end of the contract term, rather than during the life of the contract
- Lessons learned are not recorded and shared

1.7 The audit made recommendations as a result of these findings and improvement actions have been agreed with the Head of Commissioning and Business Improvement. As identified in the audit report, there are currently insufficient corporate contract management resources in the organisation. Therefore, in the short term, temporary external expertise will be sought to help implement the improvements in a timely manner. In the longer term, the team structure will also be considered to ensure there is enough staff resource devoted to ensuring good contract management practice across the Council.

1.8 The improvements that are planned are listed below. Provided additional external resource can be sourced quickly, most of these actions will have been implemented by April 2019.

- Create and maintain a central repository for contract documents
- Introduce contract management guidelines for use by all contract managers across the organisation – to include guidance performance management of contracts and what is possible in terms of varying contracts to provide better value for money

- As part of the contract management guidelines, introduce a risk management process for the contract lifecycle
- Introduce a better process for ensuring the contract register is up to date
- Offer training for contract managers on the new guidelines, and potentially additional training specifically on contract management, based on the needs and the size and risk level of the contracts they manage
- Applying the good practice used for managing the leisure and culture contracts, work with managers of the largest contracts to introduce summary briefing documents containing the key elements of the contracts. These can then be used to ensure a smooth handover if a contract manager needs to change
- Form a network of contract managers from across the organisation to share good practice and lessons learned, including maintaining a central register of lessons learned

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

- 2.1 The Committee should note the contents of the report, including the improvements detailed in paragraph 1.8 that will address the issues with contract management highlighted in the internal audit.

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## **3. RISK**

- 3.1 This report is presented for information. The actions detailed in the report will 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 an update on contract management across the Council in September 2017.

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## **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 to materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims through ensuring outsourced services deliver what is	Head of Commissioning and Business Improvement

	required.	
<b>Risk Management</b>	Covered in section 3.	Head of Commissioning and Business Improvement
<b>Financial</b>	There will be an additional cost to bringing in external resource to help implement the required changes. A budget has been identified to meet this cost.	Paul Holland, Senior Finance Manager
<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 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.	Team Leader Contracts & Commissioning
<b>Privacy and Data Protection</b>	No impact.	[Legal Team]
<b>Equalities</b>	An equalities impact assessment will be completed in conjunction with the formulation of the new contract management guidelines	Equalities and Corporate Policy Officer
<b>Crime and Disorder</b>	No impact	Head of Commissioning and Business Improvement
<b>Procurement</b>	No impact.	Head of Commissioning and Business Improvement

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## 6. BACKGROUND PAPERS

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