

**Manchester City Council
Report for Information**

Report to: Audit Committee – 5 November 2018

Subject: Progress report on Manchester City Council's Commissioning and Contract Management

Report of: City Treasurer

Summary

This paper summarises progress against the actions set out in the contract management improvement work plan approved by the council's Senior Management Team on 27 February and the recommendations of the Audit Committee in January.

A great deal has been achieved in the last seven months, with notable progress on completion and analysis of contract registers, the development of standard products and processes, and growing awareness and tools for monitoring social value in contract delivery. However, the scale and complexity of the challenge should not be underestimated, given the number, value and variety of external contracts, the Council's ambition for delivering for Manchester residents, and the pressing need to maximise value for money. This is a long-term improvement programme, and there remains much work to be done.

Recommendations

That the Committee notes the progress made to date but also the continued work that is needed. Section 3 of the paper sets out the key next steps in the work plan.

Wards Affected: All

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Background documents (available for public inspection):

Improving Contract Management and Governance, Audit Committee, January 2018

1. Background

- 1.1 The function of commissioning, procurement and contract management is essential for meeting the objectives of the City Council in the most cost effective and efficient manner. The Council currently commissions and procures over £0.5bn of services from third parties, the scale of which illustrates the importance of this function.
- 1.2 On 27 February 2018, the council's Senior Management Team (SMT) endorsed the work plan and priorities for the commissioning and contract management improvement programme. The work plan aims to build on existing strengths as well as address weaknesses as identified in previous reviews and audit reports. The areas for improvement are set out more fully in the January report to Audit Committee earlier this year; as a recap:
- Strategic governance and oversight of contracts was limited, hampered by inconsistent and, in places, incomplete reporting of contract data and performance;
 - Contract management processes and systems were inconsistent and too easily prone to failure (e.g. limited controls and guidance increased the risk of human errors; knowledge of contracts too often lay with the individual commissioner / contract manager as opposed to being captured systematically);
 - Basic standards for monitoring performance, such as monitoring meetings with providers, and the regular reviewing of performance information, were not always being followed;
 - Staff and managers alike wanted more development opportunities to build commercial and contract management skills;
 - The contract design stage needed a greater emphasis on how the contract will be managed, both in terms of establishing well-designed key performance indicators that closely align with the outcome goals of the contract, and practically in how the supplier relationship will be managed; and
 - There could be insufficient consideration of social value opportunities built into specifications, and monitoring of social value delivery was lacking at times.
- 1.3 In addition to endorsing the proposed improvement programme overall, the January Audit Committee made a number of specific recommendations, as follows:
- The completion of a standard contract register;
 - Use of contract performance dashboards for monitoring contracting effectiveness at a directorate level;
 - More robust approach to contract management in new contracts;
 - Strengthened governance in relation to contract management;
 - Introduction of an improved ICT system for managing contracts.

- 1.4 This paper summarises the progress made both on these recommendations and for the overall improvement plan over the last six months as well as the priorities for the next six months.

2. Progress

Ensuring effective strategic oversight and governance

- 2.1 There are now contract registers in place across the directorates which provide the foundation for an improved grip on contract performance and spend. The registers are largely complete (a significant achievement), and present data in a consistent standard format, allowing comparison and analysis. There is still work to do to refine these - for example, they are necessarily still largely spreadsheet-based and the intention is to capture richer data. One exercise currently in train is the assessment of all the council's contracts for their criticality (Gold, Silver, Bronze - determined by value, dependence, impact, reputational risk and security/ safeguarding) and for their current performance (Red, Amber, Green - determined by service quality, consistency with Our Manchester behaviours, effectiveness in managing change, delivering on budget, and delivering social value), which in turn will help Directorate Management Teams take action on the key areas for attention.
- 2.2 Assurance reporting to Directorate Management Teams (DMTs), the Commercial Board and the Senior Management Team has improved to support senior oversight. Building on the data in contract registers we now have draft dashboards, summarising key data such as number of contracts, contract spend, number of contracts procured under a waiver to tender, activity, performance and contract breaches. These are new but they are starting to be reviewed by Directorates, as well as the Commercial Board - Neighbourhoods is one example which has set up dedicated meetings on contract management, where the contract register, dashboard and summary commentary all form key inputs into the meeting.
- 2.3 New accountability arrangements have been agreed by the Commercial Board relating to:
- (i) contract approvals governance - ensuring appropriate governance at each stage of the commissioning cycle; and
 - (ii) new procedures for strengthening contract management in pre-tender and tender stages. These are now with directorates for implementation. The Integrated Commissioning Team is developing a communications plan to spread and embed the message across the council. The team is also working with Manchester Health and Care Commissioning (MHCC) and the Manchester Local Care Organisation (LCO) on the future framework for governance of council-funded social care contracts.
- 2.4 Key forward priorities are:

- (i) to support Directorate management teams and SMT in confirming a forward pipeline of commissions and contracts, to shape these in line with strategic objectives, and oversee the performance of externally contracted services; and
- (ii) to facilitate cultural change, giving greater prominence and priority to effective contract management. In practice, this means:
 - completing Commissioning Pipelines (ie procurement plans) - which do not yet exist for all services;
 - ensuring those plans meet Manchester's strategic objectives - which is likely to mean integration across some contracts, redesigning some, and decommissioning some; and
 - raising performance in terms of robust and effective contract management.

Processes and systems

- 2.5 Following a series of workshops with practitioners across the Council, standard processes now exist for commissioning and contract management. Directorates are working to implement these; key actions for the Integrated Commissioning Team are communicating and embedding these. Some Directorates also now have identified roles with specific responsibility for improving contract management across the directorate, which is helping to embed better practice. As an example, Highways now have a dedicated Social Value and Ethical Procurement lead, supporting across the commissioning cycle from initial design, to monitoring delivery of social value commitments under the contract.
- 2.6 In addition, the Integrated Commissioning Team also put forward to the Commercial Board specific proposals to strengthen consideration of contract management within the contract design stage. As a practical example, when commissioning officers seek relevant authority, such as a Strategic Director, for proceeding with a new commission, they have to demonstrate how they propose to manage the contract. The next step is to ensure implementation in practice, including with Legal Services to ensure that this is captured in standard City Council terms and conditions for contracts.
- 2.7 As mentioned in the report to the January Audit Committee, improved ICT systems and capability are required to support contract management, to ensure an effective interface between operational workflow, outcomes, financial management, and payments systems. There are two principal requirements:
 - (i) To record and track contract lifecycle processes, such as a contract register, recording the relevant parties to contracts, key dates for action and renewal; and
 - (ii) Capability to support the performance management and assurance of contracts, such as monitoring expenditure and performance against contracts.

This forms part of the ICT investment plan, and work started in April on defining requirements; design and procurement is due Q2 2019 (slipped from Q1), and implementation is due Q4 2019. In addition, work is at an early stage on a change to SAP to capture contract reference data, to enable the tracking of expenditure against contracts.

Resourcing, skills and capability

- 2.8 Work is underway to establish a learning and development programme for 2018/19 and 2019/20, the purpose of which is to raise the prominence of contract management as a career path, and improve staff skills and capability in this area (eg confidence in negotiation and understanding of business and commercial practices).
- 2.9 Since the beginning of October, Finance and Integrated Commissioning are co-delivering a dedicated session on financial and contract management on the Our Manchester Leadership and Raising the Bar programmes. These are large-scale development programmes and staff who have attended the course previously will be asked to attend this additional session. Furthermore, the Council is designing an e-learning course for contract management, which is expected to be ready during the autumn period. Further plans for a more in-depth commissioning and contract management course for dedicated commissioning and contract management roles are also being considered, subject to available funding. Meanwhile, staff from the corporate Integrated Commissioning team have supported Directorates with advice and expertise.

Supplier management and contract monitoring

- 2.10 Staff from the small corporate Integrated Commissioning Team have been deployed to priority contracts, including external residential and foster care for Children's Services; education contracts; procurement of social care contracts that must be in place by April 2019; parking; Highways; and monitoring the delivery of social value. Directorate contract staff and the Integrated Commissioning Team are working together to implement the new contract management standards; and to introduce a systematic approach to addressing risk - identifying, and planning the handling of, high risk contracts, opportunities for innovation and improvement, and savings. The next step will be to further develop Directorate contract management improvement plans to ensure consistent implementation, reflecting where the Directorate is on its improvement journey, and progress towards the Council's priorities.
- 2.11 At an operational level, the majority of contracts now have named officers (including Senior Responsible Officer and Contract Manager). There is still further work needed to clarify and embed the new responsibilities for governance of individual contracts, including ensuring contract management and monitoring meets new corporate standards - both in the Council and in MHCC, where joint work is underway.

Social Value

2.12 Social value is a key deliverable in the wider Council agenda to improve contract monitoring and management more generally. Commissioning for, and monitoring delivery of, Ethical Procurement has been included in all the new contract management standards and tools, with Social Value one of the cornerstones of an ethical procurement approach. A Social Value Toolkit for Commissioners and Stakeholders has been developed by a working group led by Corporate Procurement, and was launched at the Council's annual Ethical Procurement event in March. The Social Value Senior Leaders Group recently recommended focusing on effective delivery and monitoring of Social Value commitments in contracts, with an emphasis on practical actions to embed good practice and change culture, including:

- Ensuring that Social Value and the monitoring of Social Value is explicitly covered at the commissioning and pre-tender stages;
- Ensuring that Social Value and the monitoring of Social Value is explicitly covered at the tender stage;
- Benchmarking Social Value KPIs, starting with the "gold" contracts;
- Monitoring the delivery of social value once contracts are live;
- Building capability and winning hearts and minds among leaders and staff.

3. Next steps

3.1 The overall focus now is on embedding new standards and ways of working within directorates, and on focusing on the upcoming pipeline of commissioning and contracting activity over the next three years, specifically:

- Strategic oversight: new accountability arrangements; forward pipeline of commissions; performance of externally contracted services;
- Assurance reporting: to DMTs, Commercial Board and SMT;
- Forward planning: of commissioning and procurement;
- Standard processes: implementation;
- ICT: delivery of the contract management system;
- Learning and development: roll-out of new programmes;
- Resourcing operational governance: directorates to ensure contract management and monitoring meets new corporate standards;
- Supplier monitoring: continue to drive improvement;
- Delivery of Social Value in contracts.

3.2 The team is also working with Manchester Health and Care Commissioning (MHCC) and the Manchester Local Care Organisation (LCO) on the future framework for governance of council-funded social care contracts. Joint work is under way on aligning existing CCG and City Council contracts; and a new Director of Market Engagement has been appointed in MHCC, reporting to the Executive Director Strategic Commissioning and Director of Adult Social Services (DASS).

- 3.3 **Strategic oversight:** the new and clarified accountability arrangements are being set out in the Constitution, for ratification by full Council in late November. Commercial Board will support Directorate management teams and SMT in scrutiny of the forward pipeline of commissions and assurance of DMT oversight of the performance of externally contracted services. Ongoing.
- 3.4 **Assurance reporting:** DMTs to embed review of Directorate commissioning plans and contract performance into business as usual - on quarterly basis. Commercial Board to assure directorate commissioning pipelines and contract performance, and provide cross-cutting overview and connections. Ongoing.
- 3.5 **Forward planning:** Directorates will develop forward commissioning pipelines on the basis of risk and criticality, and reflect in service and budget plans - first drafts to be complete by December 2018, to be combined in City Council and MHCC forward planning. In 2019 we would expect to see the impact of better forward planning in: fewer waivers, fewer extensions, and increased negotiation on value in contract extensions.
- 3.6 **Implementation of new contract management standards:** these consist of standards (eg for contract registers), tools (eg assessing contract risk and criticality), and guidance (how to guides). They are now published on the intranet. DMTs will work with their contract management leads in directorates to ensure implementation. Integrated Commissioning are supporting with a communications drive (launch by end December 2018) and by embedding the new standards within training. Legal colleagues have revised standard City Council terms and conditions for contracts and are working on protocols and processes for the formalisation of contracts. Once these are finalised they will be embedded in guidance for MCC commissioning and contract staff.
- 3.7 **ICT systems:** key deliverables are the contract management system (target delivery end 2019); Liquid Logic and Controcc systems (May 2019); and SAP system change (currently at scoping definition stage).
- 3.8 **Learning and development:** the key deliverable is to establish and deliver a contract management learning and development programme for 2018/19 and 2019/20, including new training programmes for managers (Raising the Bar; Our Manchester Leadership), starting in October. An e-learning module on contract management is in development; another on delivering Social Value in contracts is planned. Both are targeted at all commissioners and contract managers. Additional specialist training for commissioners and managers of complex contracts and commercial projects is planned, subject to available funding. Commissioning staff are entitled to apply for places with the new Greater Manchester Commissioning Academy programme, starting in January 2019 that focuses on GM commissioning into the future. The key deliverables are for Directorates to incorporate commercial management (commissioning and contracts) training requirements into their 2019/20 Workforce Plans.
- 3.9 **Resourcing operational governance:** There is still further work needed in directorates to clarify and embed the new responsibilities for commissioning,

governance of individual contracts, including ensuring contract management and monitoring meets new corporate standards - by December 2018.

3.10 Supplier monitoring: Directorates to analyse the performance of their suppliers and contracts on a risk basis, and develop contract management improvement plans to resource to risk and criticality; follow through in 2019/20 service and budget plans. The City Council procurement process is being amended to ensure that as part of their tenders, bidders submit proposals for managing contract performance, and this is evaluated. The corporate Integrated Commissioning Team will remain focussed on priority areas. Commercial Board to review “gold” critical contracts.

3.11 **Social Value:** This has been and will continue to be a high priority area. Looking ahead, there will be continuation of the drive to deliver social value through the commissioning and contract management programme, using the new commissioners’ toolkit. Key deliverables:

- Strategic Directors and delegated contract approvers to scrutinise proposals to ensure Social Value is included;
- Directorate contract leads to benchmark Social Value KPIs; and
- Contract managers to track the delivery of Social Value as part of routine management. Officers are driving Ethical Procurement in all its aspects through commissioning and contract management.

4. Conclusions

4.1 The Council’s commissioning and contract management has improved this year, and the foundations have been laid for the future - with contract registers in place across Directorates and improved governance and strengthened reporting at senior levels.

4.2 The priorities ahead are the continuing work with Directorates to implement the new standards and plan the forward pipeline of commissions and contracts. This better planning should deliver a significant reduction in the number of waivers to tender, eliminate spend off-contract, and help to identify opportunities for efficiencies - either through contract redesigns, or renegotiation with providers in relation to existing contracts. The Council recognises this is as much about a cultural change as much as process, which is why we are also taking steps to support different ways of working, including further training for staff.

5. Recommendations

5.1 The recommendations appear at the front of this report. Section 3 of this paper sets out the key next steps in the work plan.