

Contract Management Update

To:	Assets and Procurement Committee
Meeting Date:	17 September 2024
From:	Executive Director for Finance and Resources
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not Applicable
Executive Summary:	<p>This report provides an update on the contract risk assessment process and more widely the work being undertaken by the Procurement and Commercial Team to support Contract Managers in service areas.</p> <p>Committee is asked to consider this report.</p>
Recommendation:	Committee is asked to note the contract management support being provided by the Procurement and Commercial Team.

Officer contact:
Name: Clare Ellis
Post: Head of Procurement and Commercial
Email: clare.ellis@cambridgeshire.gov.uk

1. Creating a greener, fairer and more caring Cambridgeshire

- 1.1 The Procurement and Commercial team's support for Contract Managers is available across all Directorates and therefore impacts on all 7 of the Council's ambitions. Making the contract management decisions will ensure that the Council's third party spend is focused on delivering these ambitions.

2. Background

- 2.1 Contract management is a function devolved to service areas. Once the procurement is completed, the Procurement and Commercial Team hand over responsibility for the delivery of the contract to the Responsible Officer. Contract Manager responsibilities range from day-to-day performance management of the contract, ensuring contracts are properly signed by both parties, to adding the contract to the Contract Register. The recently approved Commercial, Commissioning and Procurement Framework has a Contract Management Theme which sets out a number of actions that can be taken corporately to approve the consistency of contract management across the Council.
- 2.2 When the Procurement and Commercial teams were amalgamated in September 2022, it was recognised that the Team could play an increased role in providing support for Contract Managers across the Council. Various pieces of contract management guidance are now available, such as the Contract Management Toolkit, advice on price variations and supplier financial distress.
- 2.3 From September 2023, the Procurement and Commercial Team began to roll out contract risk assessments for the highest value contracts, i.e. those considered to hold the highest risk. At the same time, the Procurement Plan (mandatory for procurements valued over £100,000) included a requirement for Contract Risk Assessments to be completed.
- 2.4 The Contract Risks Assessments are based on a combination of spend and associated risk, producing a ranking of Platinum, Gold, Silver and Bronze. Contract Risk Assessments are a joint exercise between the Contract Manager and a member of the Commercial Team.

3. Main Issues

- 3.1 The Contract Management Toolkit provides contract managers with a standard approach to assessing risks in contracts by classifying those contracts as Platinum, Gold, Silver or Bronze. The table below details which type of contracts are in each category:

Contract Classification	Characteristics/Approach
Bronze	Low risk and low value. Usually transactional in nature, where loss of service is easily restored or replaced with minimal impact. A light touch approach to contract management is required in most cases. Examples of contracts include direct payment support service and construction of a grain store.
Silver	Can be high value but low risk, in an increasingly competitive market. Regular contract monitoring, especially in relation to performance, lowering of costs and driving

	value will be required. Examples of contracts include electricity support and MS Office software.
Gold	A challenging marketplace with few suppliers. High levels of supplier engagement is required. Regularly ensuring business continuity plans are up to date in the event of contract failure. Examples of contracts include the ERP contract and construction of school assets.
Platinum	Typically, this is a major contract. A highly skilled contract manager will be needed with clear governance arrangements in place, with effective monitoring and strong policies and processes. Examples include Milestone and Looked after Children Dynamic Purchasing System.

Generally speaking, Silver and Platinum contracts are valued over £2m.

- 3.2 The Contract Risks Assessments cover a range of risks including delivery, market, performance, reputational, and health and safety. Risks ratings differ depending on the nature of the contract. For example, health and safety risks are higher in Place and Sustainability categories and social care contracts. Market risk was highest in adult social care Platinum contracts indicating a lack of confidence in the depth of the market to replace providers should the need arise. The identification of particular risks associated with particular groups of contracts is an important step in allowing Contract Managers to put in place mitigations for those risks. This can include individual contracts as well as all contracts in a particular market.
- 3.3 The table below sets out the Contract Risk Assessment under each category of contract with some further comments.

Classification	Risk Assessment Coverage/Comments
Bronze	11 contracts with a total value of £7.5m. Coverage will increase because as more contracts are re-procured more risk assessments will be completed at the procurement stage.
Silver	15 contracts with a total value of £725m. Coverage will increase as more contracts are re-procured. Further risk assessments will be completed at the procurement stage.
Gold	8 contracts with a total value of £18m. Coverage will increase as more contracts are re-procured. Further risk assessments will be completed at the procurement stage.
Platinum	92% of contracts with spend over £5m have a current risk assessment. That is 38 contracts worth £3.5b. Platinum contracts represent 90% of the Council's third party spend.

- 3.4 The Contract Risk Assessments show that Platinum contracts are generally subject to appropriate governance and contract management. The Bronze and Silver risk assessments show that there are no active concerns in relation to the risk of supplier failure. Contract performance is generally classed as low risk. Silver contracts scored slightly higher than Bronze contracts in terms of delivery risk, as they tend to be in highly competitive markets where profit margins are tight.

- 3.5 An essential next step in developing contract management across the Council, will be training and support for Contract Managers. There is now a contract management Teams channel operational where 51 out of 71 members of that channel are Contract Managers. Others support the delivery of contracts at a more operational level. Examples of recent communications include an update on the Government Commercial Function's annual Contract Management conference and links to the Team's guidance and support.
- 3.7 The Team have continued to promote the free Contract Management Foundation Level training offered by the Government Commercial College and has also been able to negotiate 17 free places for Contract Managers on the Practitioner Level training (valued at £110,000). 5 of these places have been taken up by officers in Finance and Resources, 4 by Children, Education and Families, 5 by Adults, Health and Commissioning and 3 by Place and Sustainability.
- 3.8 The Procurement and Commercial Team has published a range of guidance for Contract Managers, including the Contract Management Toolkit, Supplier Distress Guidance and How to Manage Price Uplifts.
- 3.9 The Procurement Act 2023 regulates contract management for the first time, with publication of notices required during the contract management stage. For example, Contract Change Notices, when the authority makes the contract modification, and the Contract Performance Notice dealing with KPI annual assessment and poor performance. The current guidance will be updated to ensure that Contract Managers understand their new responsibilities and communications through the Teams channel will become even more important.

4. Alternative Options Considered

- 4.1 The Procurement and Commercial Team is committed to providing high level support to Contract Managers across the Council, whether through risks assessments, guidance or individual support if required and capacity allows. The Contract Management function is devolved to service areas and it is clear that those closest to service delivery are best placed to manage contracts and work with suppliers. Therefore, no alternative to the contract management support model have been considered.

5. Conclusion and reasons for recommendations

- 5.1 The Procurement and Commercial Team will continue to work closely with Contract Managers to ensure that they are offered the support they need to fulfil their role. As the Procurement Act goes live (expected to be from 28 October 2024), further support will be offered to ensure that the Council is compliant with the obligations under that Act.

6. Significant Implications

6.1 Finance Implications

High quality contract management is key to the Council securing value from its contracts and suppliers.

6.2 Legal Implications

Regulation of contract management is being prepared for.

6.3 Risk Implications

The development and roll out of contract management risk assessments will improve the mitigations available for risks associated with contract delivery.

6.4 Equality and Diversity Implications

Not applicable

6.5 Climate Change and Environment Implications (Key decisions only)

Not applicable

7. Source Documents

7.1 None