



# **South Somerset District Council**

## **Contract Management Framework**

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Table 1 - Revision History

<b>VERSION</b>	<b>CHANGE</b>	<b>DATE</b>
1.00	BRENDAN DOWNES, CHANELLE BUSBY (EXETER CITY COUNCIL), TRACEY FIELD (TORBAY COUNCIL) – DRAFT TEMPLATE	APRIL 2019
1.01	BRENDAN DOWNES – REVIEW AGAINST SELF-SERVICE MODEL AND RISK CLASSIFICATION	JANUARY 2020
1.20	BRENDAN DOWNES, MIRIAM KIRCHBERGER AND MICHAEL O'HALLORAN – ADAPTATION TO SSDC OPERATING MODEL	APRIL 2021

## PURPOSE OF THIS DOCUMENT

This document outlines the approach to contract management activities across the organisation and provides all stakeholders with an agreed approach.

A significant level of the organization's budget is spent on external third-party service providers.

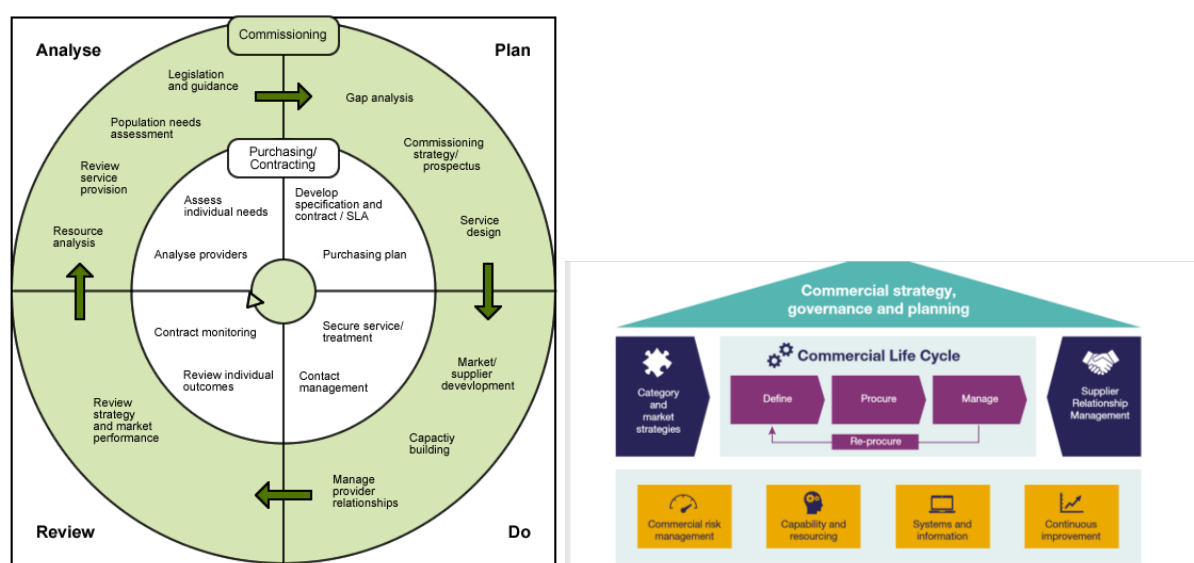
The reliance and dependency on external market solutions has increased and therefore, the performance of these supply markets is vital to council in achieving its strategic aims both in terms of service quality and managing and balanced budget.

Public Sector contracts are increasing in commercial complexity and size typically this increased contract duration and sourcing difficulties. Managing commercial relationships is a vital competence to ensure that quality, service and cost outcomes are met or exceeded.

The following framework draws upon existing good practice, national guidance and National Audit Office (NAO) recommendations.

## DEFINITION

Contract Management is part of the 'Review' stage of the commissioning cycle or the 'Manage Phase' within Cabinet Office guidance.



For the purpose of this document the definition used is a management process that

- ensures the contract yields the projected outcomes
- benefits any market advantage secured during the tendering phase of the procurement process is realised
- further improvements are made through proactive performance management during the term of the contract.

This framework recognises that contract management is a holistic process that combines a mix of strategic and operational tasks depending on the type of contract and the goods or services being supplied.

Good contract management ensures that;

- The contract owner is accountable for ensuring that contract outcomes are met or exceeded;
- Contract, supplier or supply chain risk is monitored and where possible reduced or managed;

- Contracting organisations are often able to increase the level of efficiency savings arising from post contract management as well as delivering other non-commercial benefits such as better quality and service outcomes for service users, lower risk and additional social value during the life of the contract;
- Contract management resources are appropriately allocated to those commercial relationships that present the highest strategic importance or risk.

## SITUATION

1. SSDC has a decentralised procurement model based on self-service supported by a small centralised procurement team who set strategy for procurement and contract management supported by the development of appropriate processes, methods and tools.
2. The rules of procedure for the procurement lifecycle are defined in Contract Standing Orders.
3. Purchasing volumes of the organisation are shown in link to annual spend report to be inserted later.
4. SSDC classifies contracts as Gold/Silver/Bronze, based on a category and supplier risk assessment which models spend categories against service criticality, and market and supplier risk.
5. The SSDC contract management arrangements for the categories of contract is broadly aligned to guidance from Cabinet Office. The detail is described below.

## TARGET

1. To create a consistent, risk based approach to Contract Management across the organisation that can be applied to all external third-party relationships.
2. To raise awareness of contract management activity and its contribution to the organisations future agenda by;
  - a. Developing a culture of continuous improvement internally and across the supplier base;
  - b. Enabling contract managers to understand how they can contribute to securing benefits such as sustainability or better local economic, social and environmental benefits (social value) and savings;
  - c. Ensuring that there is a strong linkage between commissioning strategies incorporating good procurement and contract management practices across the business.
3. To recognise the distinctive commercial skills and capabilities that good contract management requires and ensure these are embedded as business as usual and factored into new business activity.

4. To provide the necessary guidance and training on contract management processes.
5. To manage the Council's exposure to commercial, contractual and reputational risk through better contract management through the lifecycle of the contract and to embed this as part of business as usual activity.

## PROPOSAL

6. Roles and responsibilities.
  - This framework and its deployment across the Organisation is owned and managed by the Procurement Function, with sponsorship and executive oversight by Director of Strategy & Support Services.
  - Responsibility for the successful application of this framework to contracts and the delivery of contract management tasks rests with each service area.
  - The Procurement Function will monitor performance and application of the framework and provide training and guidance to contract managers to consolidate and standardise contract management tasks.
  - This approach is consistent with the ultimate accountability for value for money and service delivery resting with the contract owner and service area.
  - Table 1 shows the Roles & Responsibilities at a high level.

**Table 1 - Summary Roles & Responsibilities**

<p>Contract Managers (subset of Specialist role, not a role in itself)</p>	<p>Management of contracts in accordance with the Contract Management Framework</p> <p>Contribution to the development of and use of corporate guidance and systems</p>	<p>Foundation level contract management training (Cabinet Officer)</p> <p>Internal SSDC training module on contract management</p> <p>Guidance on use of the CMP (Contract Management Plan)</p>
<p>Procurement Function</p>	<p>Development and implementation of the Contract Management Framework across the Council</p> <p>Advice to Contract Managers</p> <p>Development of tools, templates and systems (in</p>	

	<p>conjunction with contract management users)</p> <p>Raising the profile/awareness of good contract management practice</p> <p>assess the adequacy of contract management arrangements (in conjunction with Monitoring Officer and internal auditor)</p>	
SLT/Director of Strategy & Support Services	<ul style="list-style-type: none"> <li>Executive oversight and accountability for the usage and effectiveness of the CMF across the Council</li> </ul>	

7. Contracts should be managed consistently and involve a standard range of tasks;

- The level/scope of these tasks should be commensurate with the value and risk associated with the contract
- Contract management risk based classification should be used to identify the level of risk associated with the contract based on the three areas of; service criticality, market size and difficulty of changing supplier

Question	Factors							Care Factors			Result
	Statutory / Discretionary	Customer Facing	Political Impact (Ext.)	Is this in the Service Plan/Business Plan?	Is this included on the Corporate Risk register?	Operational Impact	% of Population Affected	Is the contract for Placements which have a Safeguarding risk?	Number of Placements	Approving Body Reports (CQC / Ofsted)	
How critical are these goods/services	Statutory	Yes	High	Yes	Yes	High	>25%	Yes	>4	Inadequate	Critical
	Discretionary	Yes	High	Yes	Yes	High	>25%	No	>4	Requires Improvement	Very important
	Discretionary	Yes	Medium	Yes	Yes	Medium	10%-24%	No	<3	Requires Improvement	Important
	Discretionary	No	Medium	No	No	Medium	10%-24%	No	<3	Good	Fairly important
	Discretionary	No	Low	No	No	Low	<9%	No	<3	Outstanding	Only slightly
Discretionary	No	Low	No	No	Low	<9%	No	<3	Outstanding	Not at all	

Question	Factors							Result
	Dependency on Supplier	TUPE Considerations	Termination Clause in Contract	Cost of Change	Dept. Resources to Manage Change	Process Required	Market Saturation	
How easy would it be to swap supplier	Complete	Yes	No	High	No	O/EU	High	Very complicated
	High	Yes	No	High	No	O/EU	High	Complicated
	High	Yes	No	High	No	Tender	Medium	Not straightforward
	Little	No	Yes	Medium	Yes	Tender	Medium	Moderately easy
	Little	No	Yes	Low	Yes	RFQ	Low	Easy
	None	No	Yes	None	Not needed	Seek Quotes	Low	Trivial

Question	Known Market size					Result
	>100	100-51	50-21	20-11	10-2	
What is the size of the supply market	X					Very large
		X				Large
			X			Medium
				X		Small
					X	Very small
						X

- For consistency, contracts should be assessed and managed in a standard way. For simplicity, three contract types are proposed; see Fig. – Contract Segmentation. Segmentation is risk based and uses total contract value and an assessment of service criticality, market size and difficulty in changing supplier.

- SSDC categorises its contracts into **Gold, Silver and Bronze** levels. Your Procurement Specialist will support in identifying the required approach if it isn't clear which category your contract fits into.
- A pragmatic approach to in classifying contracts in this way should be adopted.

Gold	Silver	Bronze
<b>Usually Risk above 50%</b>	<b>Identified through management judgement based on specific circumstances of contract, project or supplier risk</b>	<b>Typically short-term/a PO)</b>
Contract is critical to the SSDC in terms of strategic deliverables.	Less strategically important contracts but often critical to manage due to one or more of the elements of value, risk or complexity.	Commodity deliverable contracts which are less significant in terms of value and risk.
Entails an assigned Contract Manager working closely with stakeholders throughout the contract. Fullest set of management activities and governance applies, possibly including the allocation of an Executive Senior Responsible Owner.	Entails a reasonable degree of monitoring of contract deliverables by an identified Contract Manager.  Assessments of contract and supplier performance may be undertaken.	End user led with minimal or no involvement from the Procurement unless required. Contract management activities will be limited to achieving on time, quality in full delivery with no impact on SSDC resource.

- The Council has approximately 13 commercial relationships (Gold suppliers) with an annualised value of more than £8,7m out of SSDC's £19.2m. These 13 suppliers equate to 2% of the current active suppliers but 45% of the total external spend (FY2020/21). These contract relationships would be classified as Gold according to their assessed service criticality.
- 12 contract relationships have been classified as Silver according to their assessed service criticality. The remaining commercial relationships that fall below the 50% risk threshold would be classified as Bronze according to their assessed service criticality.
- A draft high-level summary of tasks relating to each contract type is shown below.

Contract Management Tasks M=Mandatory D=Desirable E= By Exception	Contract Type		
	Bronze	Silver	Gold
<b>Basic Contract Management Tasks</b>			
Contract administration	M	M	M
Contract variation			
Contract compliance			
Dispute/issue resolution			
Contract operations (including); <ul style="list-style-type: none"> <li>- Quality assurance</li> <li>- Service delivery</li> <li>- Budget monitoring, cost and financial administration</li> <li>- Monitoring and reporting as required to support or assure service delivery.</li> </ul>	M	M	M
Contract reviews	E	D	M
<b>Performance Management</b>			
Supplier performance review	E	D	M
Improvement initiatives	-	D	M
Supplier performance reporting	-	D	M
Stakeholder/user feedback/satisfaction feedback	-	D	M



Benchmarking	E	E	E
<b>Risk Management</b>			
Supplier risk monitoring and reporting	-	D	M
Business continuity plan	-	D	M
<b>Relationship Management<sup>1</sup></b>			
Dedicated Contract Manager	-	D	M
Relationship strategy & action plan	-	-	M
Joint working/improvement initiatives	-	D	D

8. Contracts should be managed by individuals who have appropriate skills and/ or training as set out in table 1.
9. Contract management resource needs to be sufficient to undertake the necessary tasks, and should be budgeted for in the business case and/; or procurement strategy.
10. The relevant contract manager should be involved as early as possible in the commissioning or procurement process and before Implementation Readiness, at latest business case stage.
11. Critical relationships, i.e. those suppliers of **Gold** contracts should have a stronger level of governance and executive oversight.

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<sup>1</sup> Content will be informed by commissioning/procurement strategy