
**Manchester City Council
Report for Information**

Report To: Resources and Governance Overview and Scrutiny Committee -
13 January 2011

Subject: Contract Management

Report of: City Treasurer

Summary

This report provides an update on the work being undertaken through the Analyse and Improve Manchester (AIM) to strengthen the Councils approach to Contract Management and also includes Jacob's Contract as an example of current arrangements.

Recommendations

Members are asked to note the progress made to-date.

Wards Affected:

All

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1.0 Introduction

- 1.1 The Contract Management Project Team was established in June 2010 and is governed through the AIM Cross Cutting Project Board.
- 1.2 The Senior Responsible Officer for the project is the Head of Corporate Procurement, supported by project staff from the Directorate of Transformation and Capital Programmes.
- 1.3 The vision for Contract Management within the Council is to establish 'best in class' contract management processes across the Council applied in a consistent and effective manner for the enduring benefit of Manchester people.
- 1.4 Our mission for contract management is to ensure our Contract Managers and their staff have the right skills and support to ensure delivery of contracted services that are both effective in terms of service outcomes and more cost effective in terms of spend.
- 1.5 The project will establish lessons learned and best practices programmes to streamline and improve contract management processes, standards and documentation, ensuring continuous improvement throughout the Councils activities relating to contract management.

2.0 Background

- 2.1 The contract management project is being built on the previous procurement service improvement programme which has delivered savings in excess of £33M since 2006/07 by developing and implementing a consistent approach to all major procurement activities within the Council.
- 2.2 The aim of the contract management project is to deliver the same consistency of approach to managing the contracts throughout their life, ensuring maximum benefits are realised.
- 2.3 Contract management is defined as 'the management of contracts made with customers, vendors, partners and internal departments'.
- 2.4 The project will focus on the contracts and monitoring of contracts when they have been awarded and the supplier begins to deliver the services. The contract management process from inception to awarding the contract is covered by the existing procurement process.
- 2.5 The scope of the project is to research and examine requirements and potential models for an enhanced approach to contract management with the Council which will deliver savings of £3M by 2012/13 and will potentially include a centralised contracts repository, training and competencies frameworks for contracts staff and new organisational structures and processes.

- 2.6 Members specifically requested details relating to the contract with Jacobs and Appendix 1 to this report contains details of the current management arrangements in place to manage this contract.

3.0 FINDINGS FROM THE RESEARCH UNDERTAKEN

- 3.1 In addition to detailed analysis of the current contract arrangements in place, individual workshops have been held with departments to identify the 'as is' position and also explore ways to improve our contract management processes and procedures.
- 3.2 The work has identified in excess of 90 staff involved to some degree in contract management across the Council with around 20 undertaking the work on a full time basis.
- 3.3 The monitoring and control of contracts once awarded is currently undertaken within each of the individual directorates and the research has shown that there are currently many good examples of best practice within the Council, but overall the processes and procedures are not being applied consistently.
- 3.4 In developing a new model for contract management it is essential that we recognise the current best practice in operation and work towards implementing in a consistent and effective manner to remove duplication and drive out the maximum benefit from our contractual arrangements.
- 3.5 The analysis of existing contracts with a value in excess of £500K per annum shows that they fall within four main areas which can be summarised as:-

Infrastructure Services – Capital Programmes, Highways etc.
Neighbourhood Services – Environmental, Leisure, Libraries etc.
Adult & Childrens Directorates – Social Care, Education etc.
Corporate Contracts – Stationery, Furniture etc.

- 3.6 The project team is currently evaluating a range of management models to establish the most effective way of managing these contract areas in the future.

4.0 NEXT STEPS

- 4.1 Following on from the research a number of actions are now underway to further develop the 'to be' model for future contract management within the Council.
- 4.2 The project team is working with the Highways Department and Capital Programmes to identify the potential for merging the contract management process within one team to improve the process, streamline procedures and remove duplication.

- 4.3 Within Capital Programmes there exists an electronic contract monitoring system that enables customer feedback on suppliers' performance to be incorporated in to the regular contract management meetings held with the supplier.
- 4.4 This system is being reviewed by the project team with a view to implementing across the Council on a phased basis commencing with the monitoring of corporate contracts utilising this system.
- 4.5 There are currently two trial areas underway that will be used to inform the final decisions relating to the 'to be' future structure for contract management.
- 4.6 One is within Children's Services where a joint team has been established, at the request of Children's Services, which is looking at the monitoring of looked after children (LAC) residential placements.
- 4.7 The team includes staff from Children's Services and Corporate Procurement and since being established in June 2010, savings of £260K have been achieved through closer scrutiny of the services being provided.
- 4.8 The second trial area is within the Drugs and Alcohol Team who requested assistance during their workshop with the project team as they recognised the need to improve their contract management process and procedures.
- 4.9 The work within the Drugs and Alcohol Team is focussed on the following areas:-
- Establishing a formal risk management system for planning for contingencies and decommissioning where there is consistent under performance.
 - Establishing formal dispute resolution mechanisms for dealing with contract related issues and disputes.
 - Developing formal change control processes for managing contractual changes.
 - Review of the existing structure relating to contract management.
- 4.10 A technical advisory group has also been established which includes senior officers from all Council departments. This group will meet throughout the life of the project and will be used as a sounding board to test out any proposals for change prior to implementation.
- 4.11 In January 2011 a tender process will be undertaken to identify and engage with a supplier capable of carrying out a review of existing contracts within construction, including highways and ICT services.
- 4.12 The aim of this review is to confirm that, payments are being made in accordance with the contract terms and conditions, the set key performance targets are being met and the Council is achieving maximum value for money from the contract arrangements.

5.0 RECOMMENDATIONS

- 5.1 Members are asked to note the progress made to-date relating to delivering the improvements to contract management and the targeted saving of £3M in 2012/13.

APPENDIX 1

Jacobs Contract

Background

Along with many Council Departments, the Valuation and Property Division underwent a service improvement plan in 2007/8. As part of the move towards the implementation of corporate landlord, the decision was taken to outsource the property management part of the business, the aim being to improve efficiency through the introduction of a more commercial attitude to property management.

Following an OJEU tender process the property management contract was awarded to Jacobs Engineering UK Ltd, an American based company, working in partnership with GVA Grimley, the Manchester based firm of Property Agents.

The existing property management, housing market renewal and land survey teams, totalling 26 staff, were transferred via TUPE regulations on 4th August 2008. These staff are now based at Grimley's existing office on Fountain St. The contract is initially for 5 years, with an option for the Council to extend this by a further two years.

Jacobs are responsible for managing the Council's investment portfolio (offices, shops, industrial units etc), disposal of land and redundant buildings, compulsory purchase in connection with regeneration schemes and acquisitions of land & buildings.

The total value of the contract is circa £1.4M per annum, although this can vary depending on the volume of work completed by Jacobs.

The initial part of the contract period running from August up to the end of 2008 required intensive work to establish and refine systems and processes for commissioning and reporting work. During the initial period the Council and Jacobs drew up and agreed shared objectives and expectations which form the basis of how the contract will develop. Improvements are now starting to be realised following the settling in period during which necessary refinements and adjustments were identified and implemented.

Current Management Arrangements

The contract currently falls under the remit of the Chief Operating Officer in Corporate Property, who has responsibility for all aspects of the contract, including commissioning, invoicing, budgetary control, records management and delegated authority for decision making affecting the management of the Council's non operational portfolio.

Day-to-day supervision of the contract is done by the Contract and Performance Manager who heads a small team dealing with commissioning of work, processing of invoices, and liaison with the various departments within MCC who require work to be carried out by Jacobs.

Whilst the commissioning of work can only be done by the Contract Manager, once the work has been commissioned, the responsible Surveyor at Jacobs, liaises directly with the client department and, where appropriate, Legal Services to avoid any unnecessary delays and to ensure that Jacobs clearly understand the requirements of the client.

Jacobs disposal programmes are agreed with Corporate Property's Regeneration and Property Review Teams, and monitored regularly by the Chief Operating Officer and Corporate Finance. Senior Development Surveyors in each of the regeneration teams liaise directly with Jacobs to ensure that Corporate Policies are followed, and Members and Senior Officers kept informed where appropriate.

Performance

The contract encountered some difficulties in its early days, mainly caused by the staff moving to a new working environment, and the inevitable problems caused by any new contract. Most of these have now been resolved and we are seeing significant improvements in performance, particularly over the past six months.

A set of KPI's were agreed with Jacobs, relating to a variety of elements of the contract such as debt management, capital receipts, number and value of rent reviews and lease renewals completed, and time taken to process home loss and disturbance payments. These are monitored on a monthly basis and reported to the Head of Corporate Property.

The Contract Manager meets with the Head of the Manchester office fortnightly, and monthly meetings are held with the Chief Operating Officer and Jacobs Regional Director, to discuss issues around performance, which are then addressed directly with Jacobs staff. Quarterly meetings are held between Jacobs National Director and the Head of Corporate Property.

Jacobs have recently appointed a new Head of the Manchester office, who has considerable experience in both the private and public sectors and this should help maintain the improvements recently seen in Jacobs performance.

Joint meetings of MCC and Jacobs' staff are held several times a year to share best practice procedures, fulfil CPD requirements and help foster good relations between teams. Jacobs also host an annual conference in Birmingham focussing on public/private partnerships, which was attended this year by both the Head of Corporate Property and the Chief Operating Officer. This offers a good opportunity to share information and ideas with other Local Authorities nationally and private sector companies in partnership with them.