

London Centre of Excellence

Status Review of Contract and Relationship Management in London



Contract and Relationship Mgmt

We do not mean the tendering, negotiation and award of contracts.

We mean the whole client-contractor engagement process *post-award*, ensuring that every live contract delivers:

- Value for money
- Performance and compliance
- Realisation of intended benefits
- Fulfilment of ongoing demand
- Sustainable service delivery
- Continuous improvement

It is vital in the context of the Gershon Review and is crucial to the shared services agenda.



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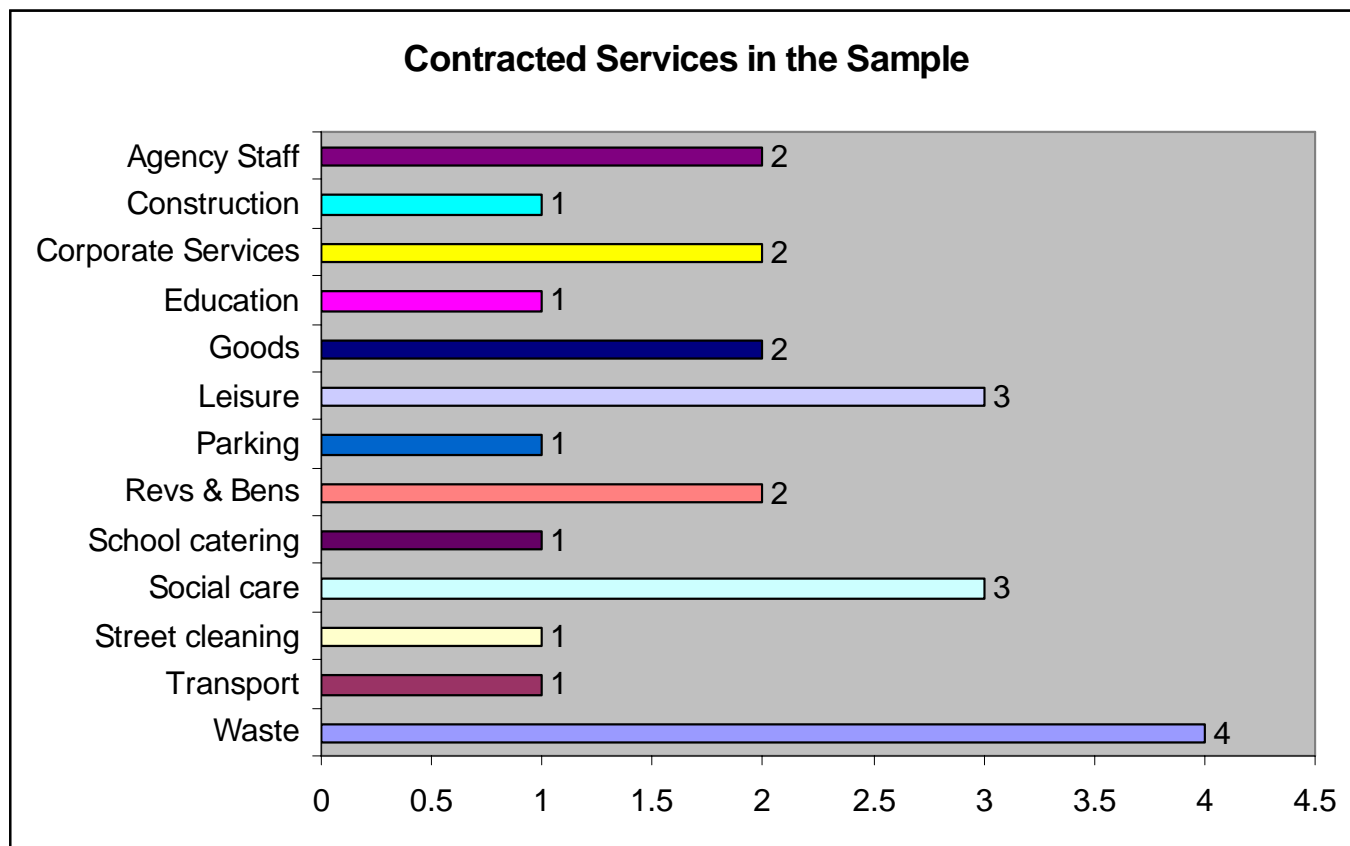


Objectives of the Review

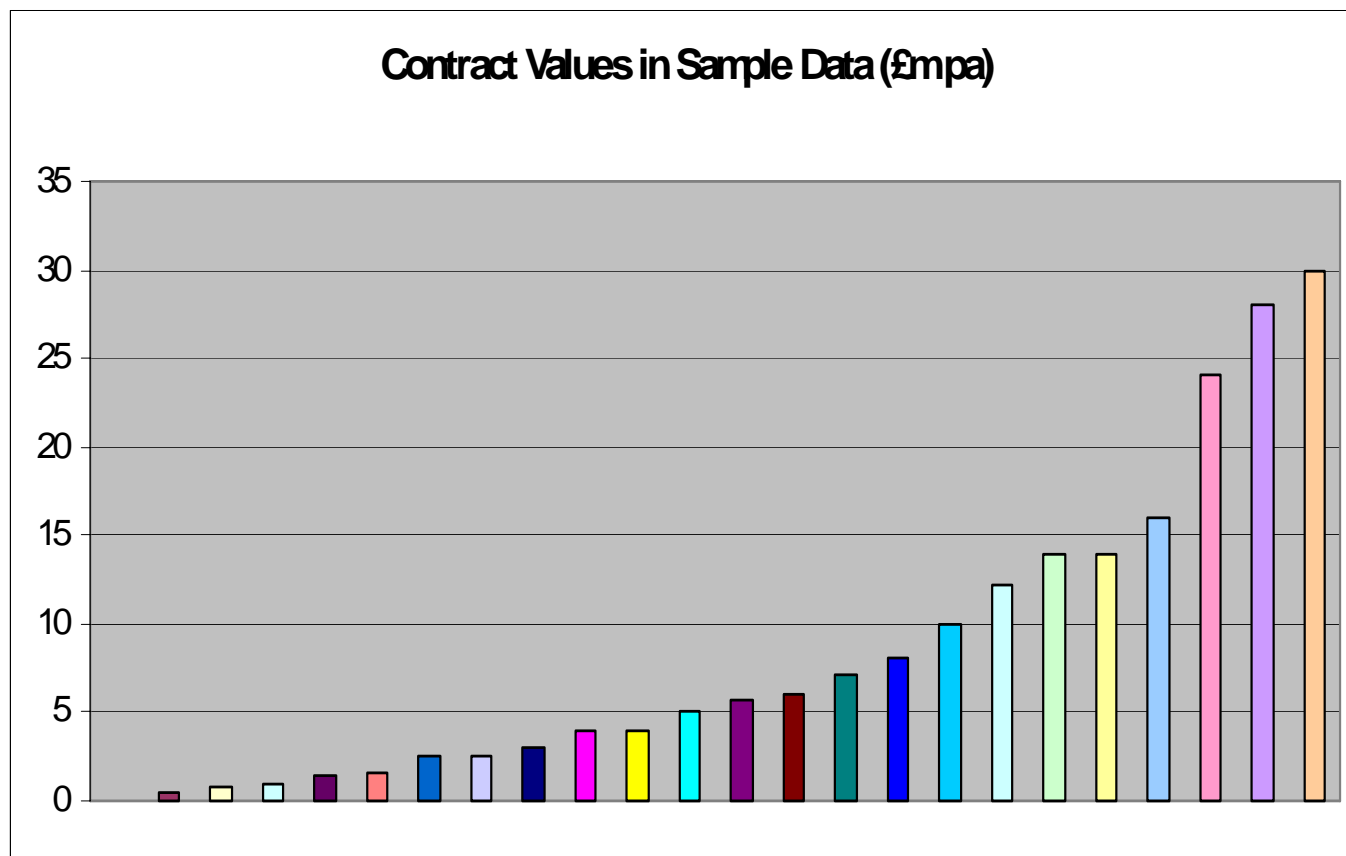
To identify:

- to what extent contractual relationships are managed after award stage;
- what resources are allocated to the task, including skills, knowledge, experience and qualifications of staff involved;
- what skills and competency gaps exist and what best practice guidance is available; and
- the quality and professionalism of CRMGT activities and their effectiveness in delivering best value, continuous improvement and value for money.

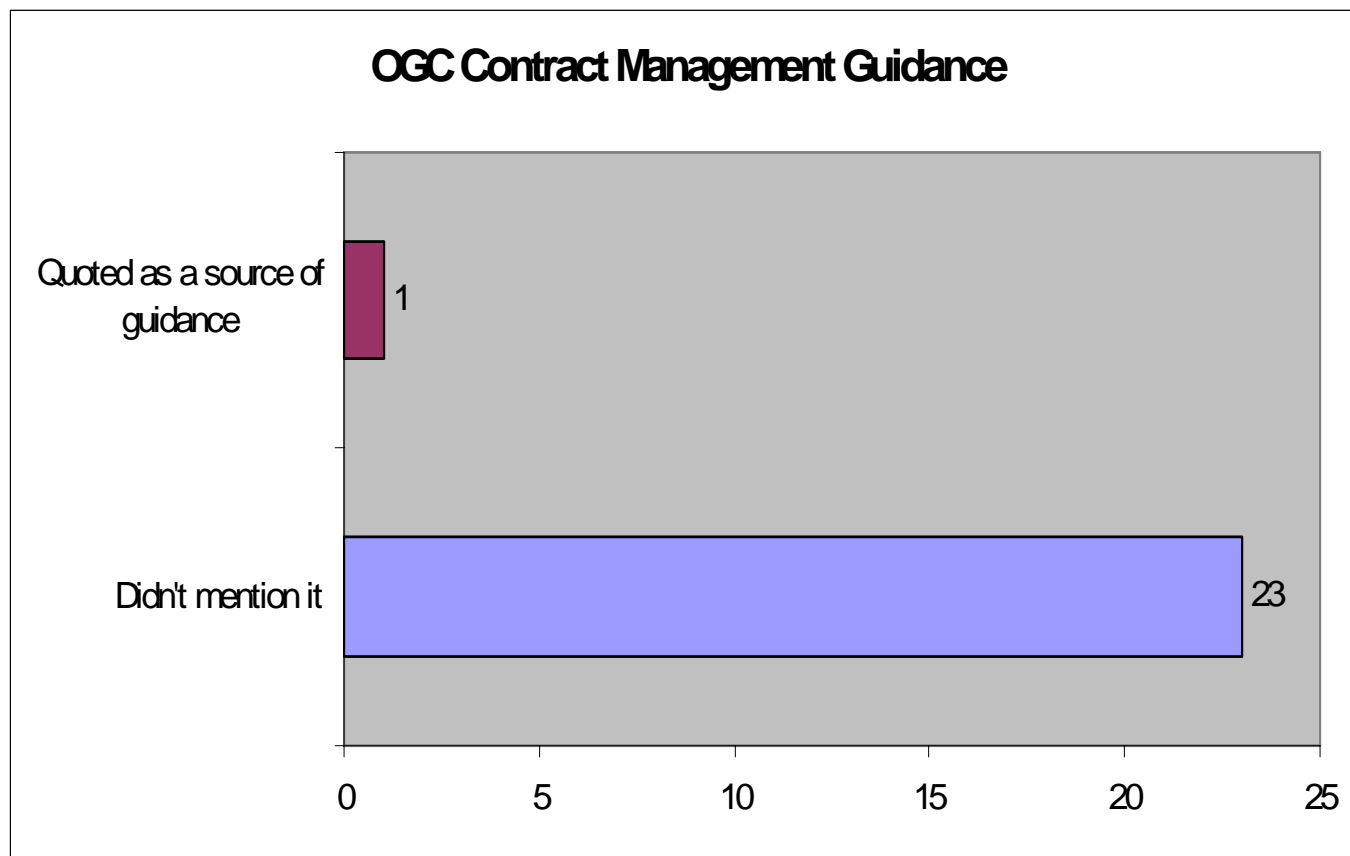
24 contracts in 15 London authorities covering a range of services were examined in the review



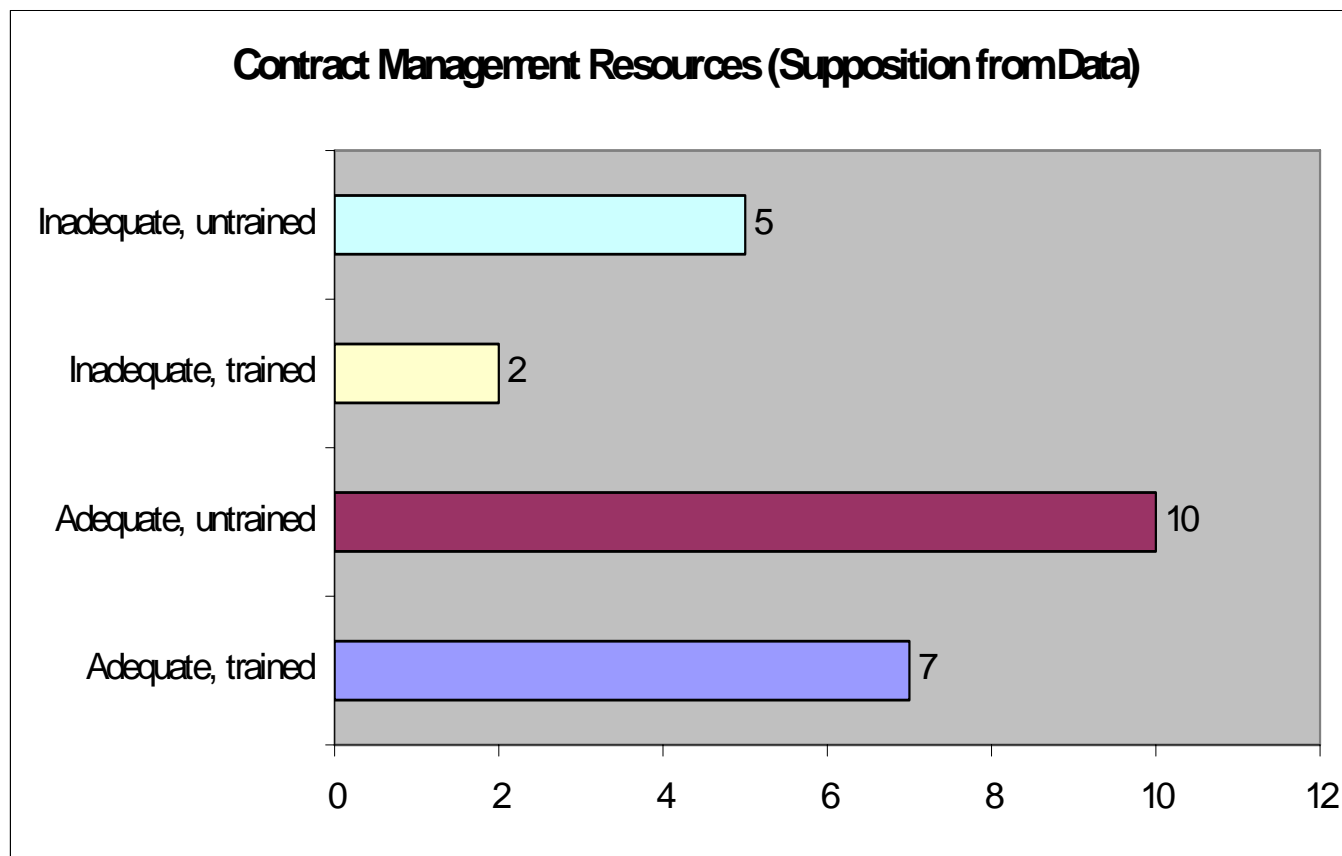
These contracts account for over £200m of expenditure every year



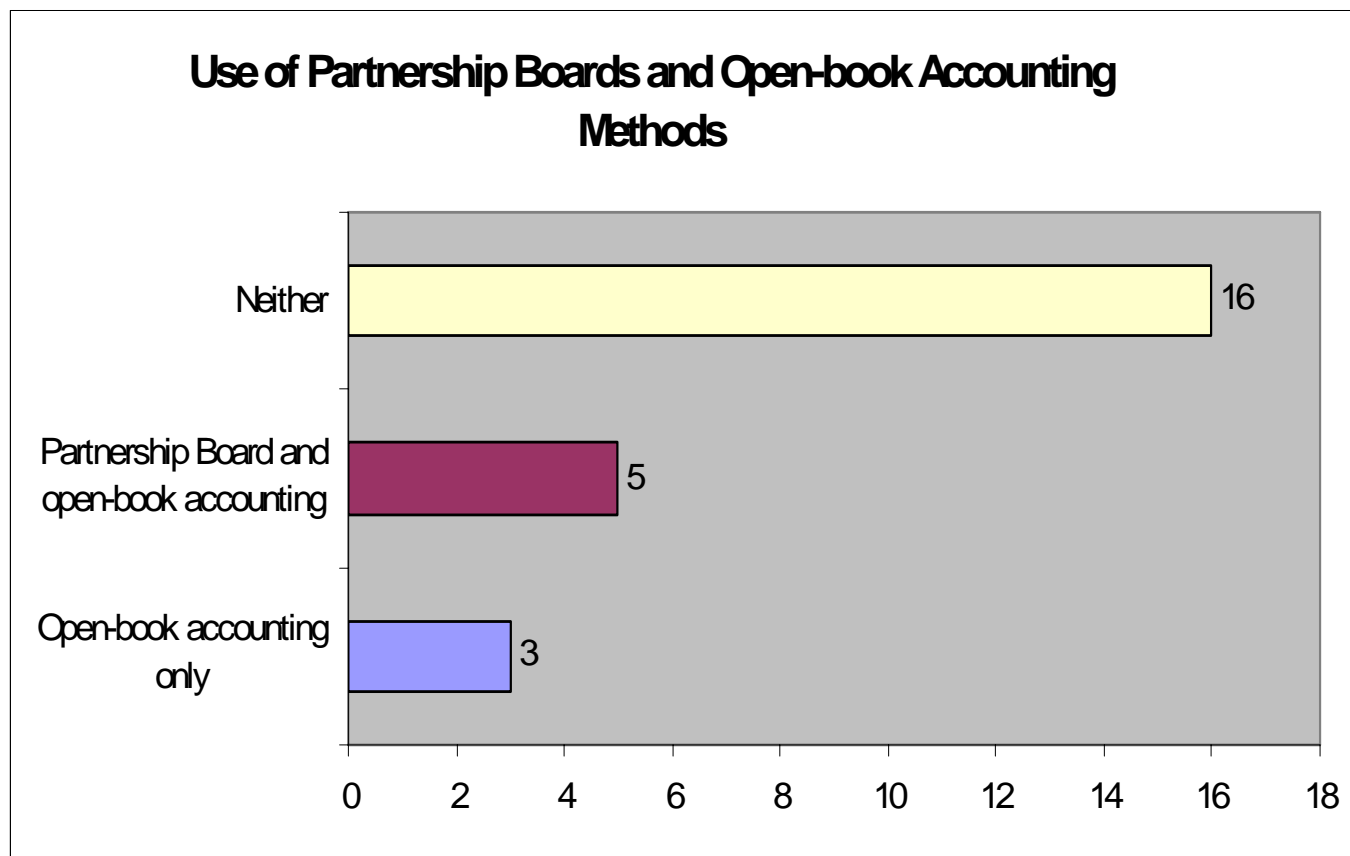
Only 1 manager mentioned that he had used contract management guidance from OGC



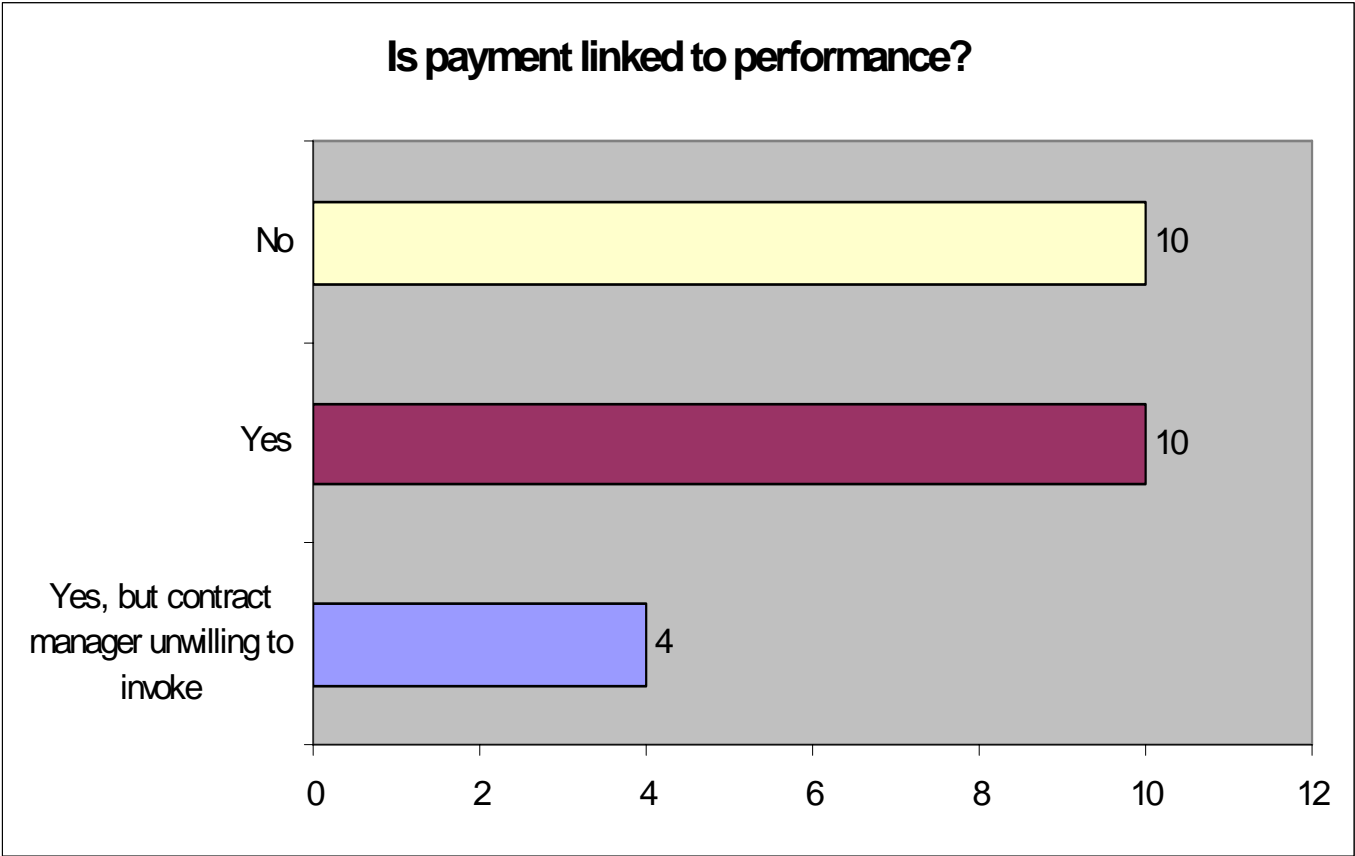
Only 7 of the contracts are managed with adequate and trained resources, the data suggests



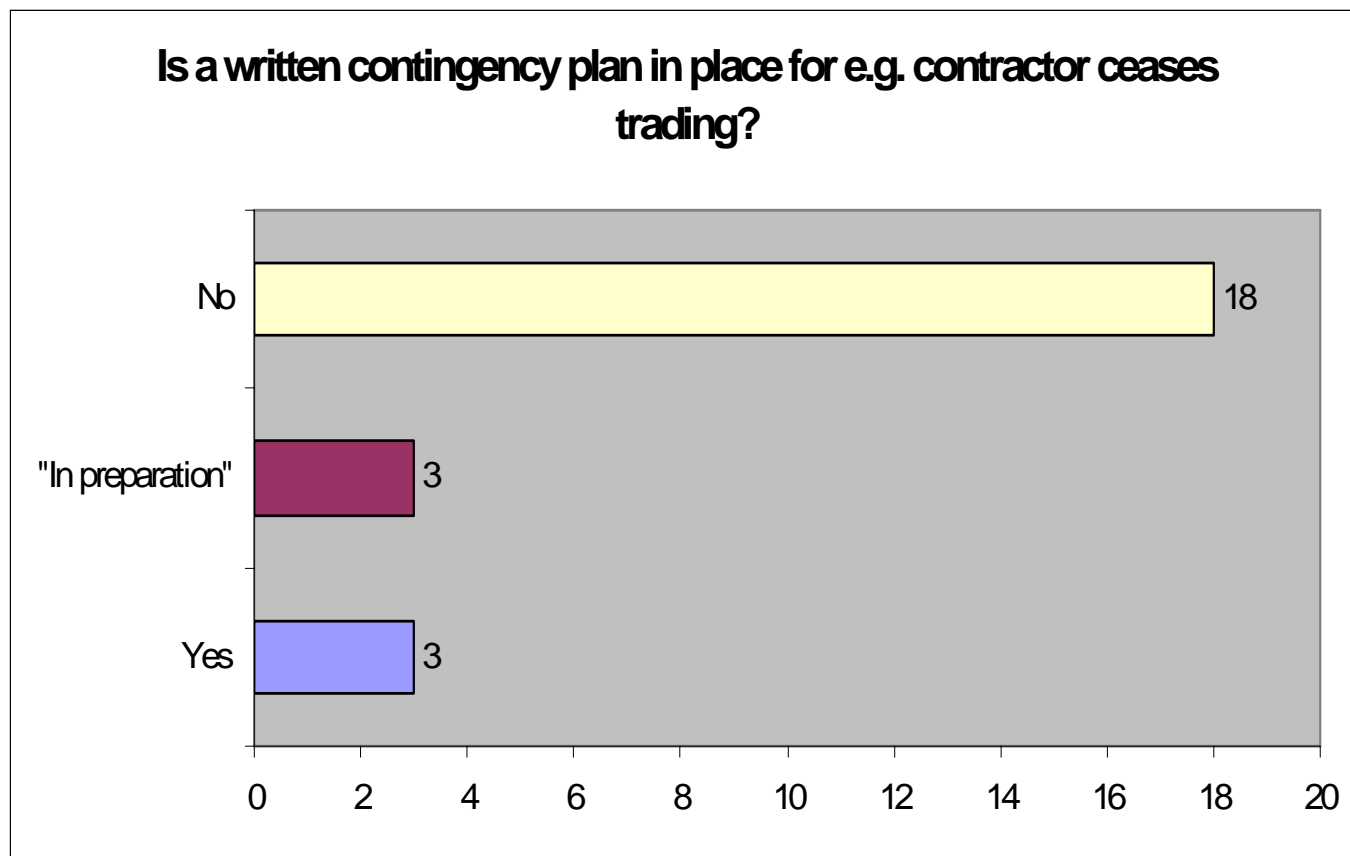
Only a third of contracts use Partnership Boards or open-book accounting to manage their relationships



Payment is linked to performance in 14 contracts, but 4 managers are unwilling to invoke deductions



Very few have contingency plans in place in case their contractor should suddenly go out of business



Other Shortcomings

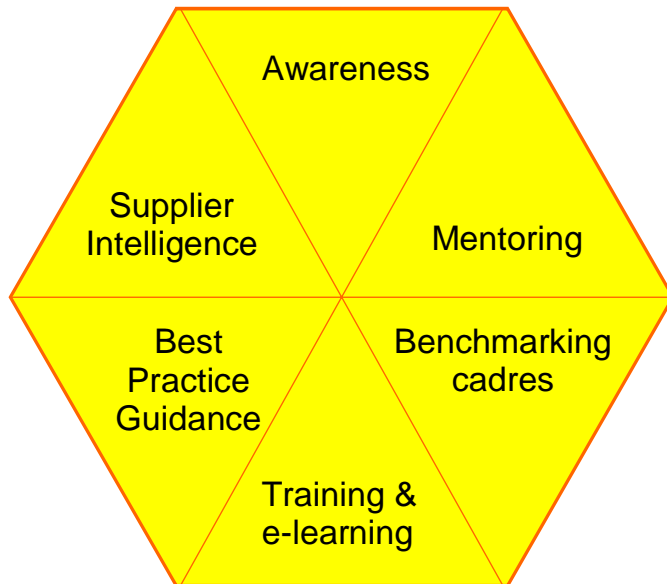
- Authorities need to make better use of commercial or procurement expertise in managing contracts.
- Benchmarking is undertaken at best only in broad terms.
- No contract manager revisits the business case or operates a clear process for reporting whether the benefits are being delivered.
- Authorities are failing to manage risks associated with these contracts effectively.
- Changes are made to agreements without any formal record.
- Few stakeholders get involved in the relationship during the operational phase.



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The Way Forward



Opportunities for improvement will stem from:

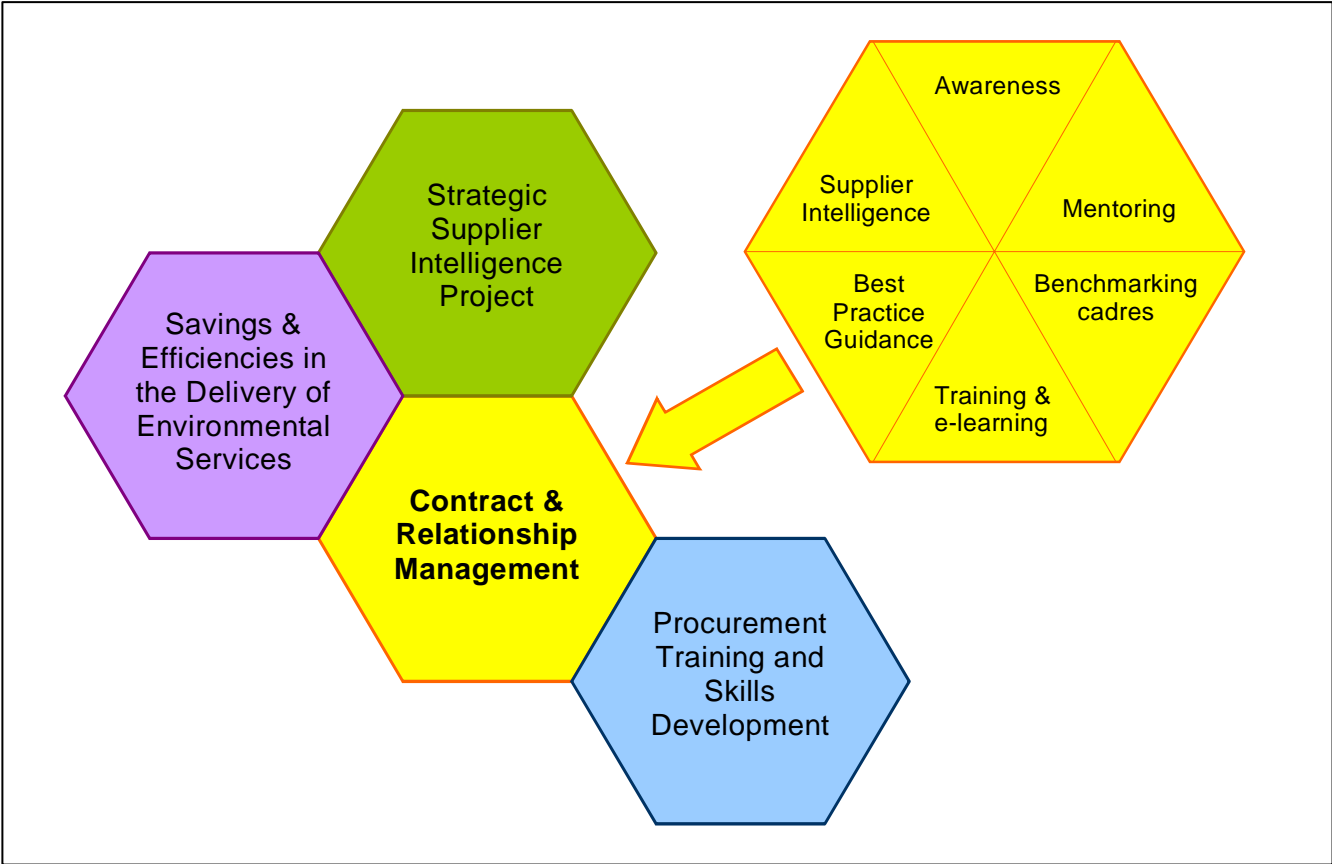
- Generating awareness by creating a commercial environment through top-level management sponsorship
- Using this review to inform local authority specific Best Practice Guidance
- Begin disseminating best practice through benchmarking and mentoring programmes using existing officer interest groups
- Training and e-learning programmes



Progress to date

- Established the first Best Practice Sharing Group for the seven managers of PFI contracts in social care in London
- Already sharing best practice and reducing costs
- Second group being assembled in waste collection
- Expert advisers being brought in
- ‘Critical Friendships’ being established between contract managers
- Best Practice Guidance in Contract and Relationship Management is at first draft stage – collaborating with 4ps

For best results, work going forward should be integrated with other LCE Projects



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Strategic Supplier Intelligence (SSI) Project



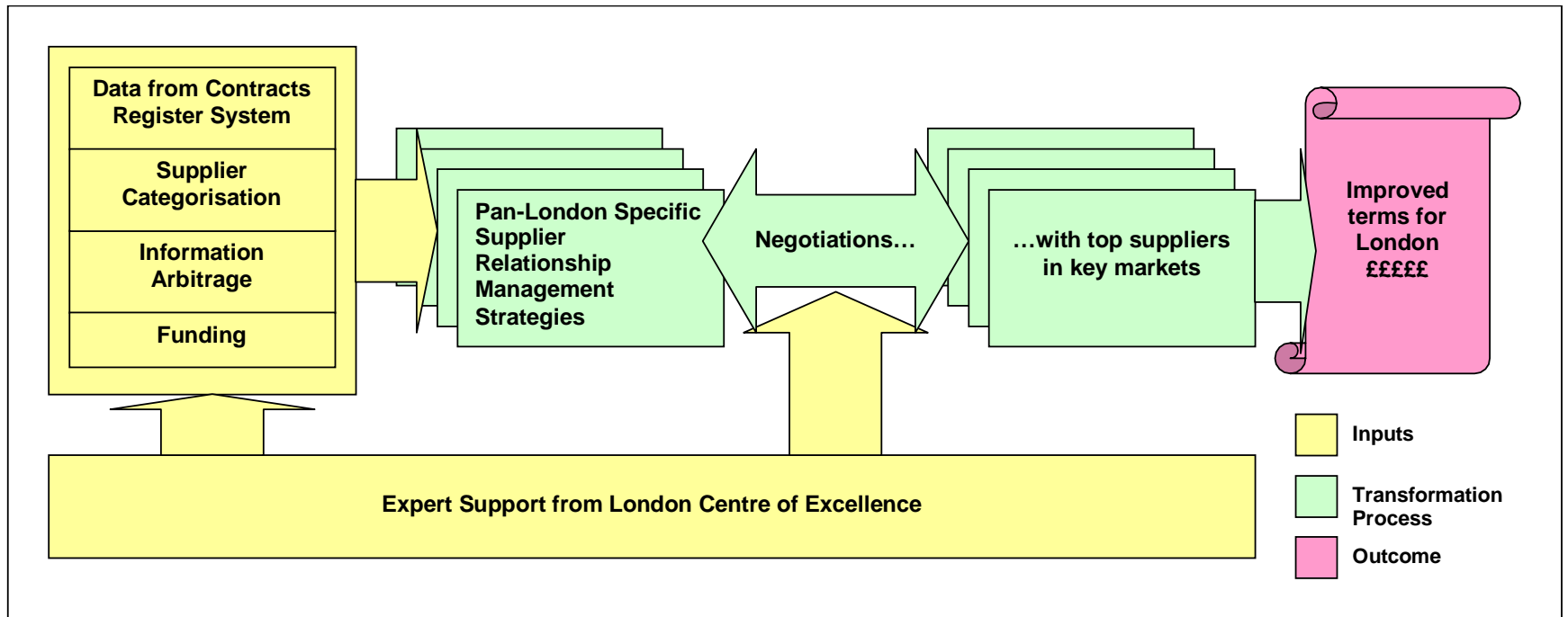
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Supplier Relationship Management: An example

- Ten London Boroughs have separate contracts with the same waste collection contractor
- Total estimated annual value is £125m, representing 13% of the contractor's UK turnover
- By acting in concert, these become a powerful negotiating partner
- Just 1% improvement in value for money would bring benefit of £1.2m per annum to those authorities and a 1-month payback period for the whole project.

The SSI Transformation Process



SSI Project Components



Benefit from Strategic Supplier Intelligence will arise from:

- Providing leadership to the Project and awareness of its objectives
- Management of key operational and commercial risk for London Boroughs
- Management information provided by the CRS
- Categorisation of suppliers by spend and risk/criticality
- Development of specific SRM strategies for key suppliers
- Collaboration and a move toward shared services

What will we achieve in Phase 1?

- Categorise Top 100 suppliers by value and risk/criticality
- Focus initially on up to 10 top suppliers drawn from waste, leisure, IT and social care markets
- Use CRMGT contacts and existing officer interest groups to prepare collaborative SRM strategies for each of these key suppliers
- Use 'Information Arbitration' to inform these strategies
- Gain authority to negotiate benefits and develop detailed plans to execute.