

London Centre of Excellence

London Social Care PFI Best Practice Group

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London, 29 June 2006



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

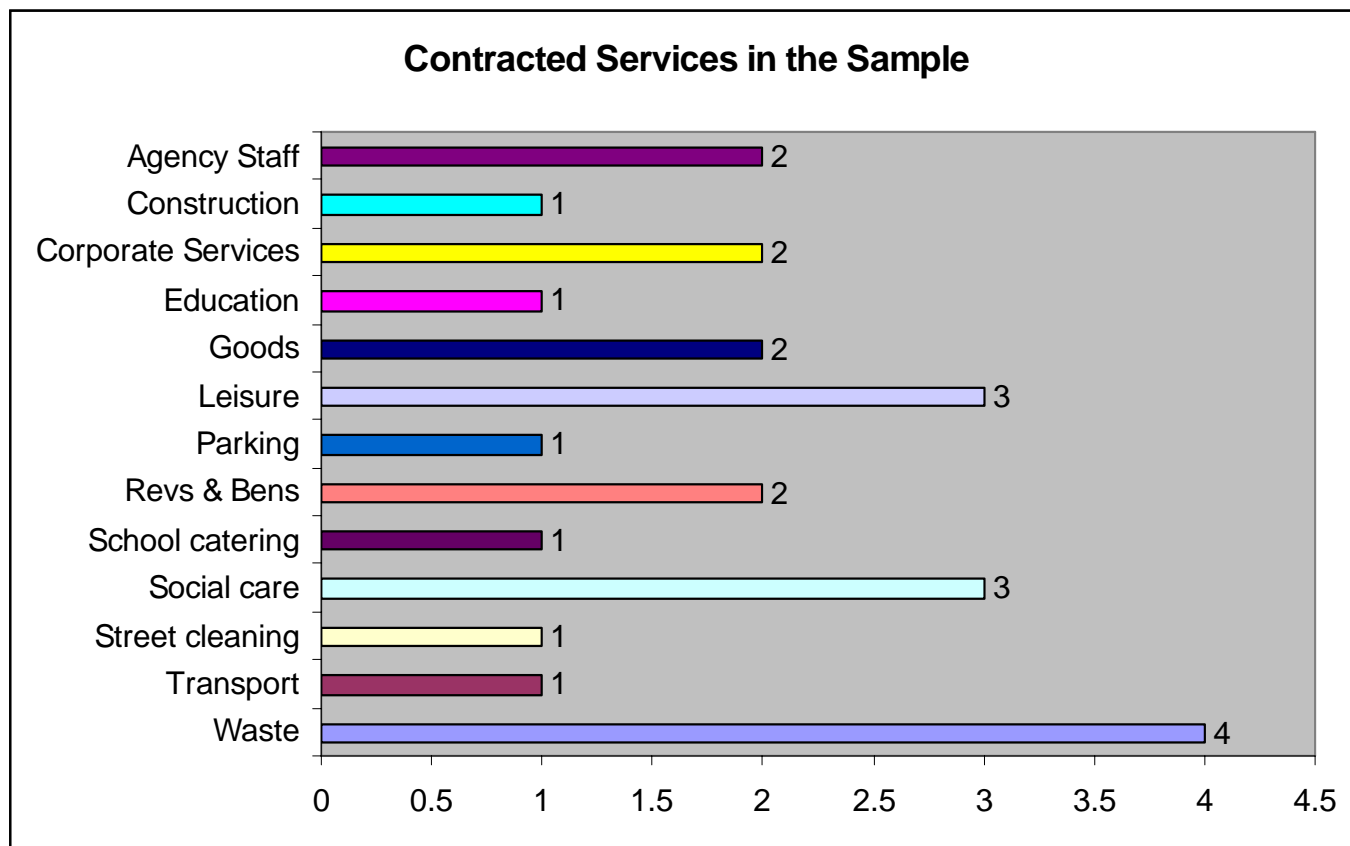
To identify:

- 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.

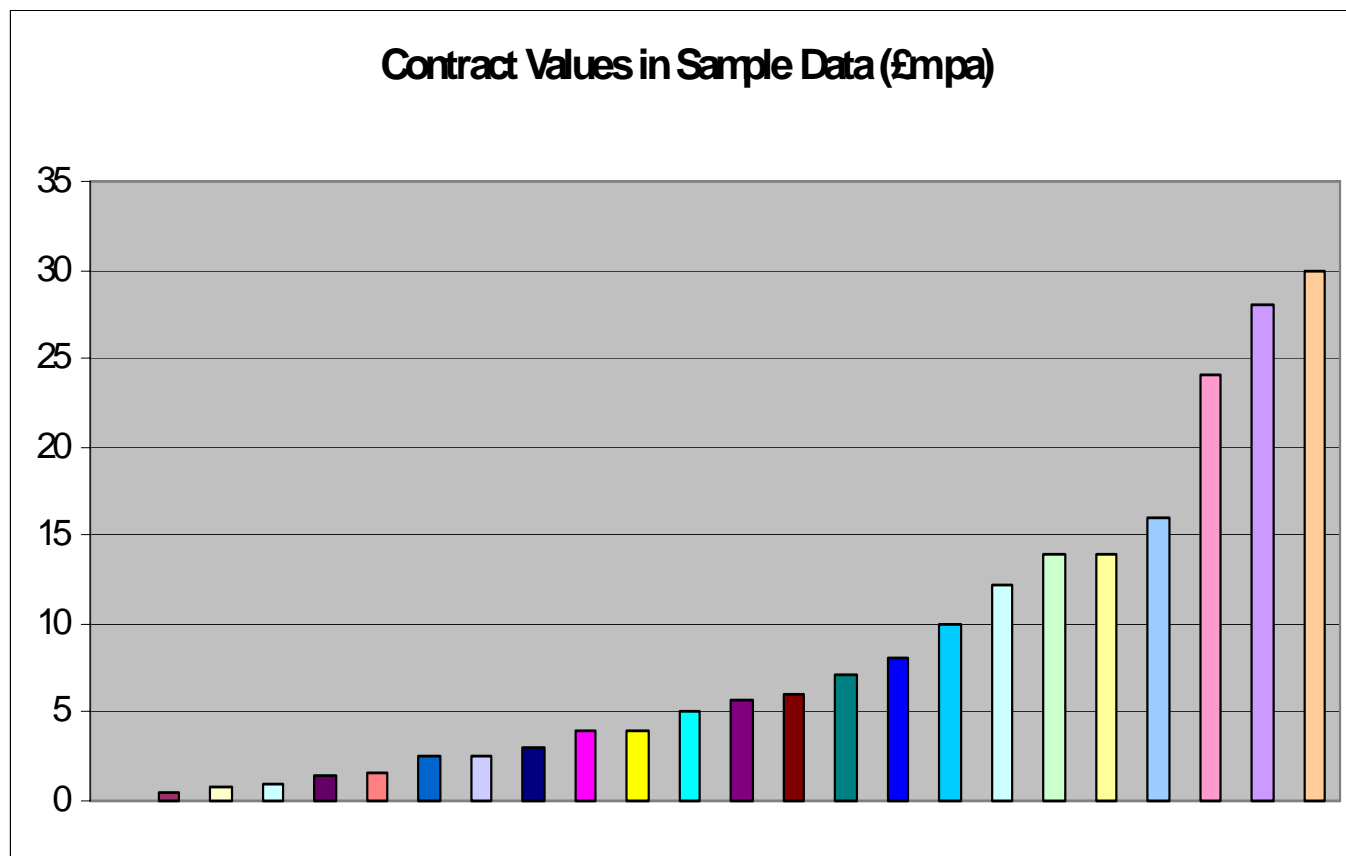
Constraints of the Review

- Semi-structured or in-depth interviews do not enable generalisations to be made
- The sample is too small for conclusions to be described as statistically significant or representative
- Only a snapshot: no opportunity for longitudinal study
- Only client-side contract managers interviewed
- ‘Keeping Up Appearances’ and ‘interviewer bias’.

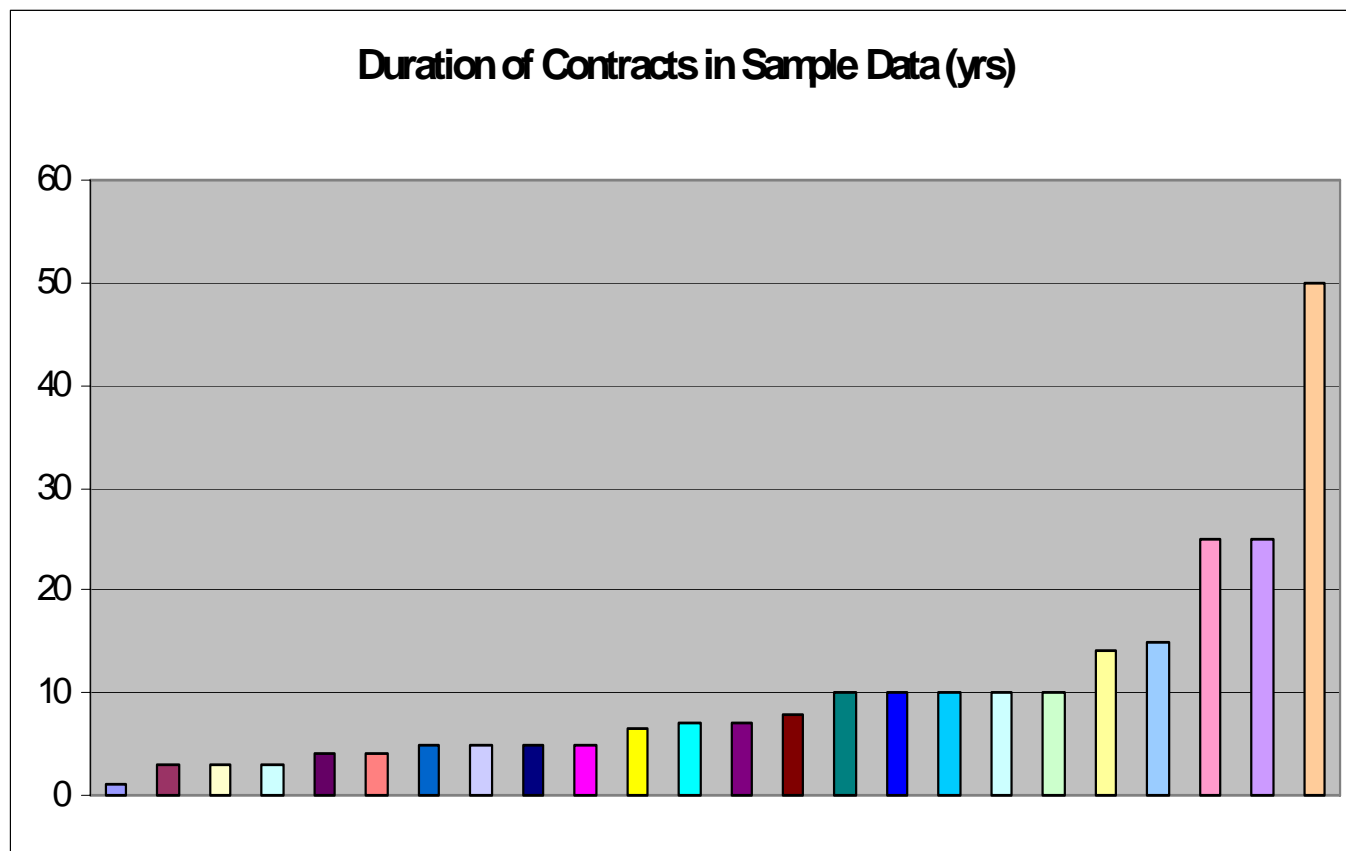
24 contracts in 15 London authorities covering a range of services were examined in the review



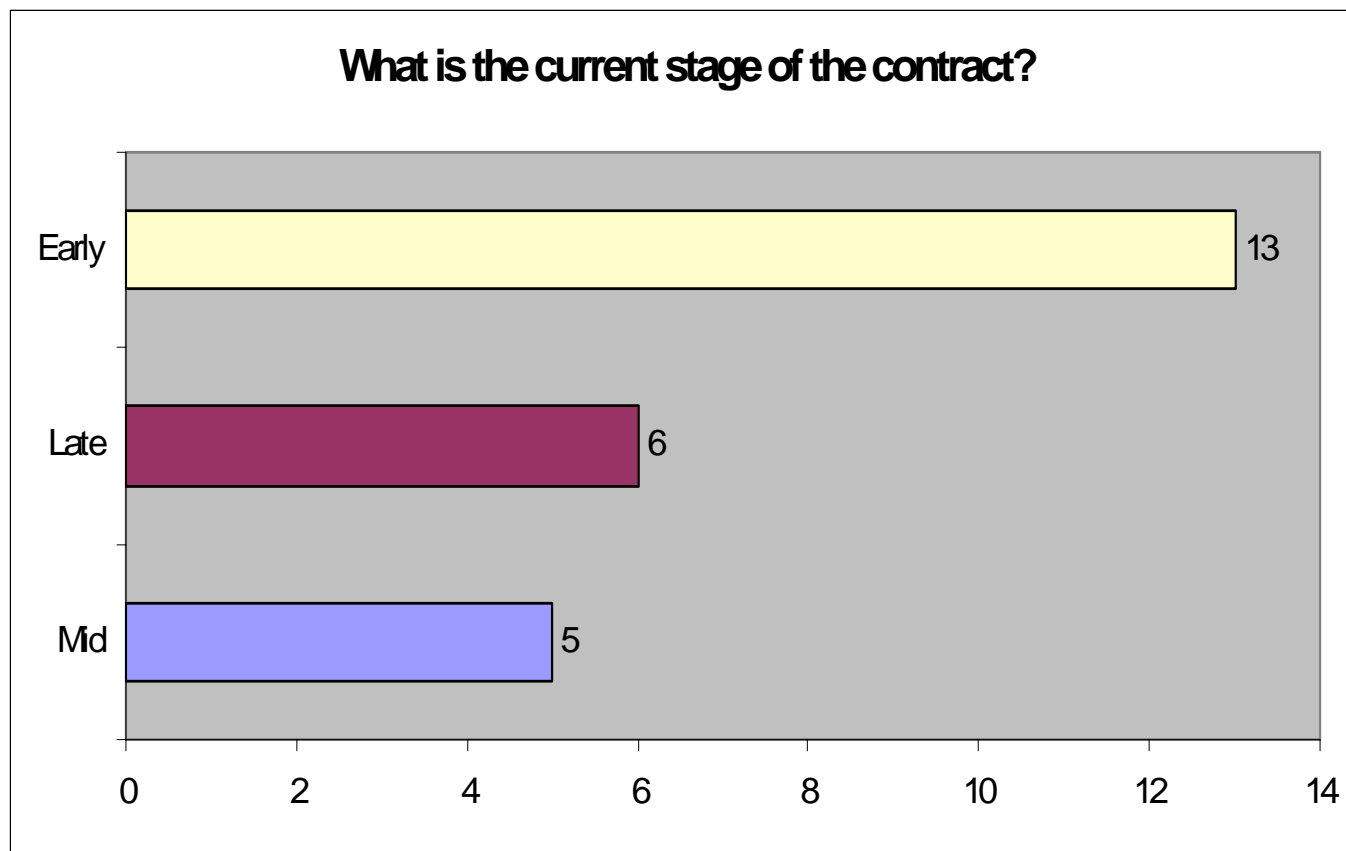
These contracts account for over £200m of expenditure every year



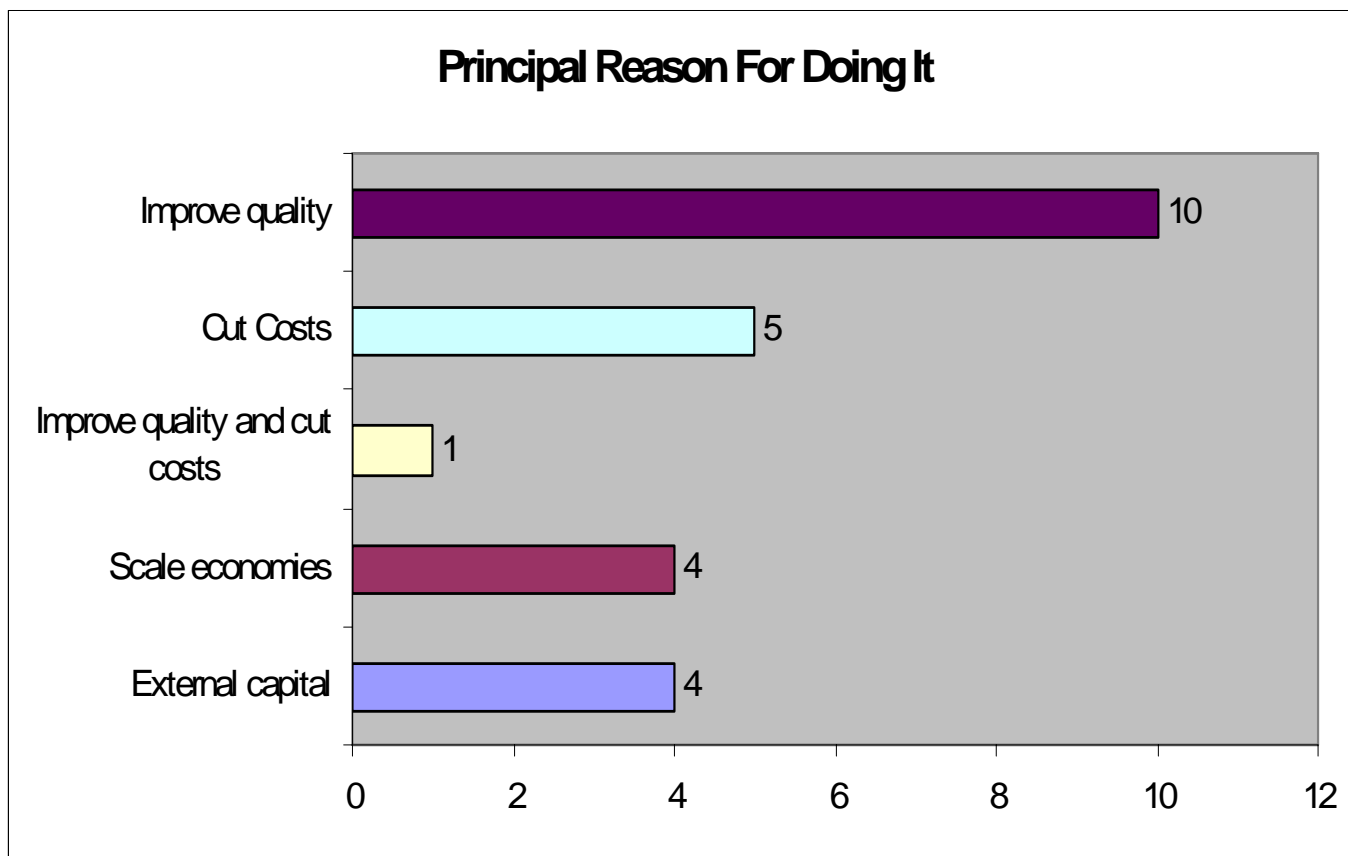
They range from one to fifty years in duration



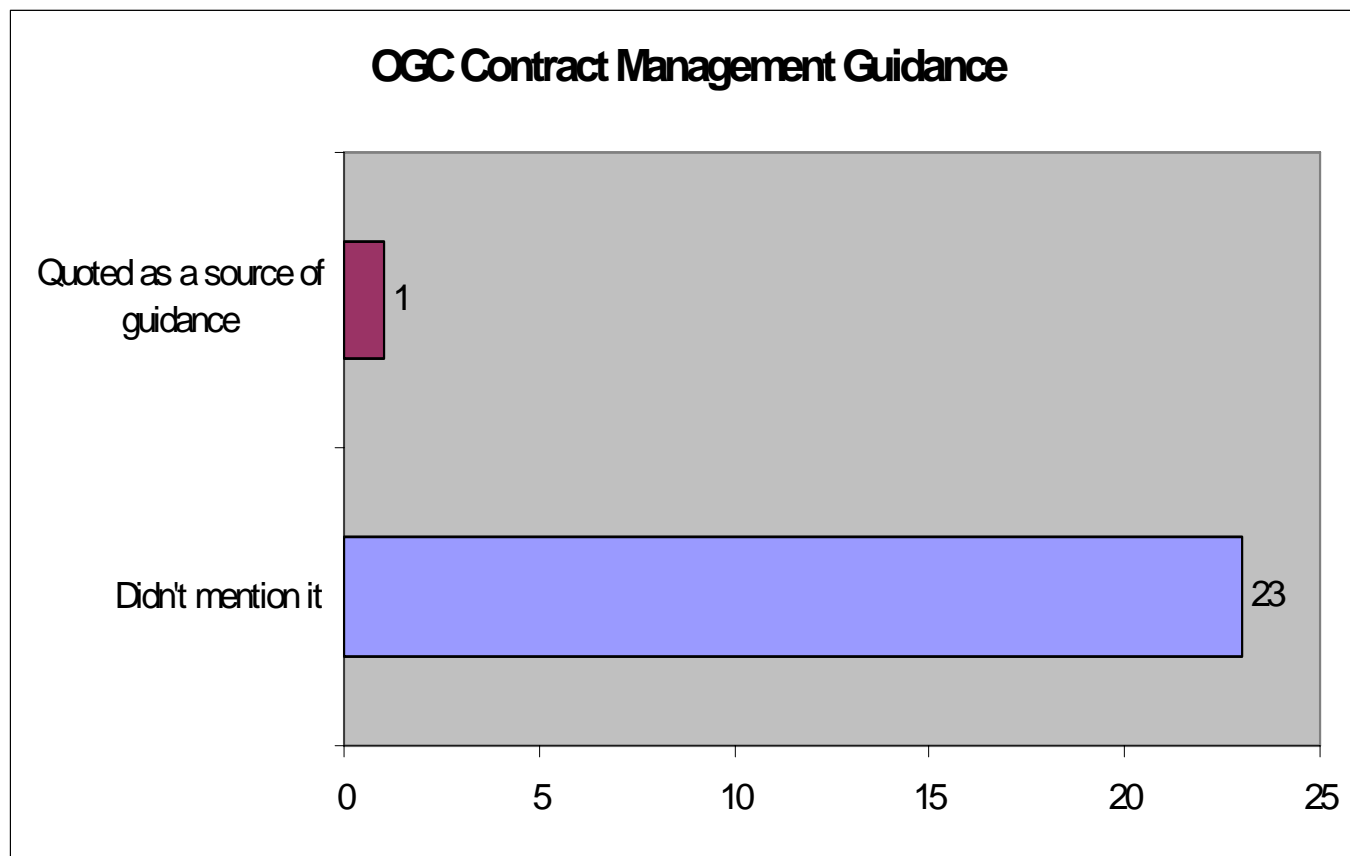
About half are currently in an early stage of the contract relative to its duration



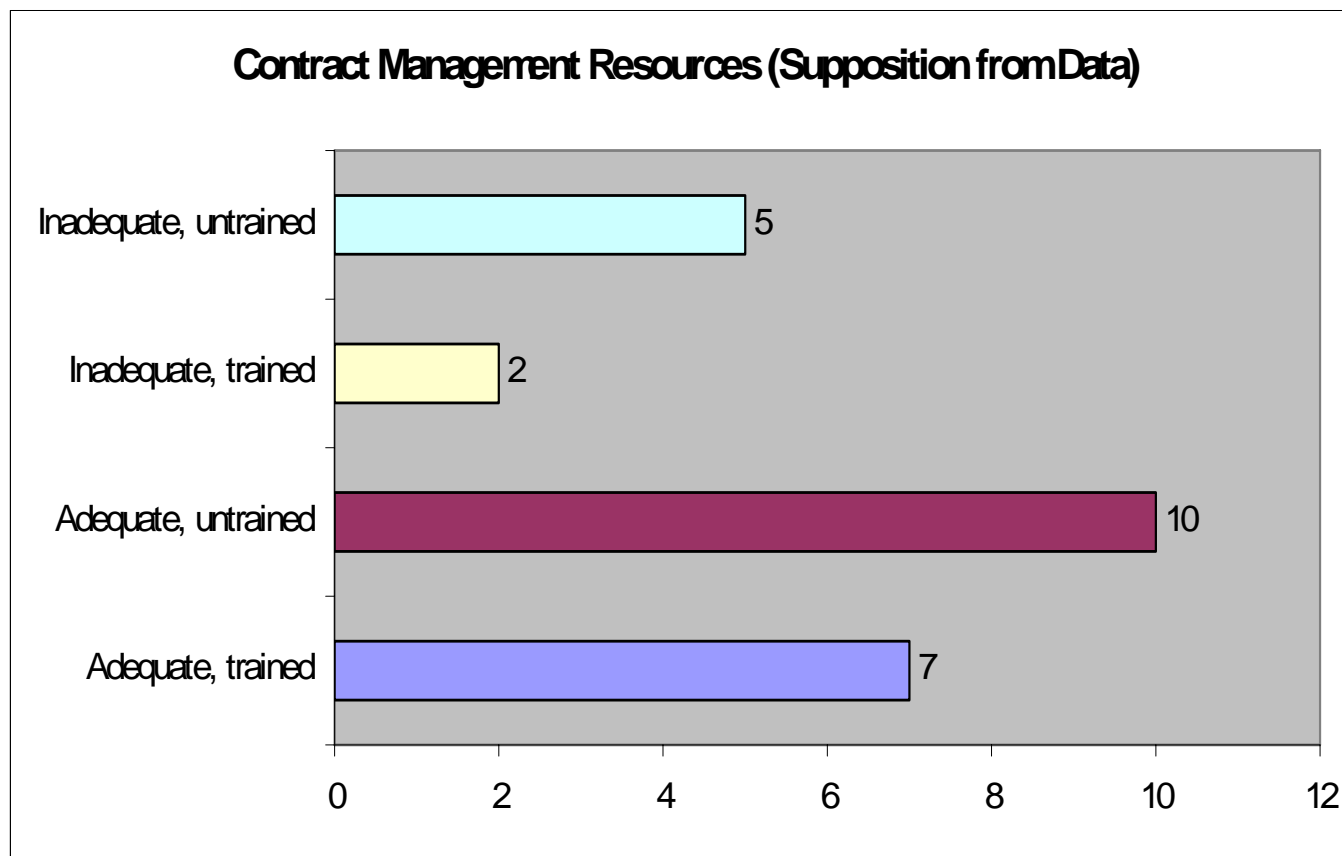
Of the 24 contracts, more were entered into with the aim of improving quality than for any other reason



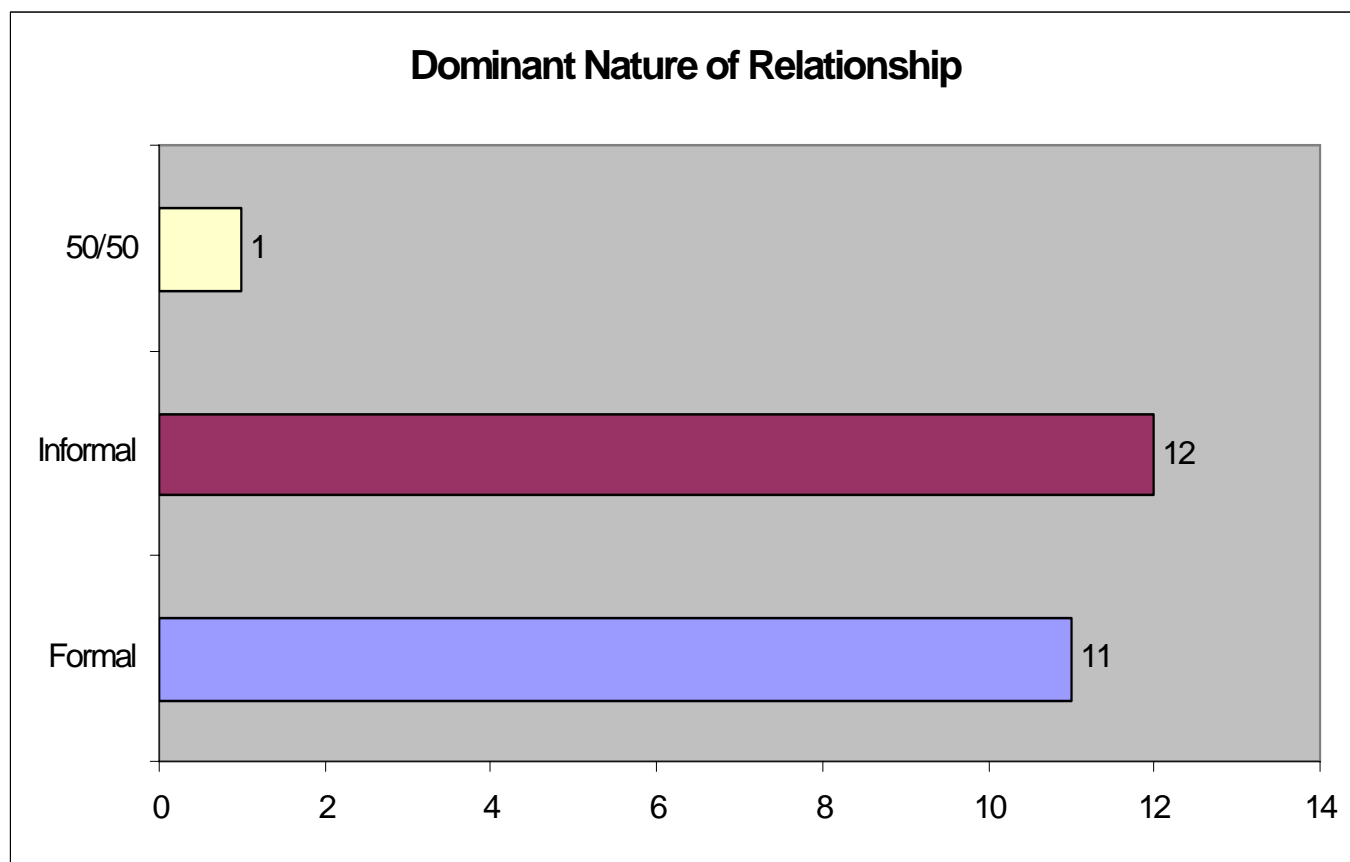
Only 1 manager mentioned that he had used contract management guidance from OGC



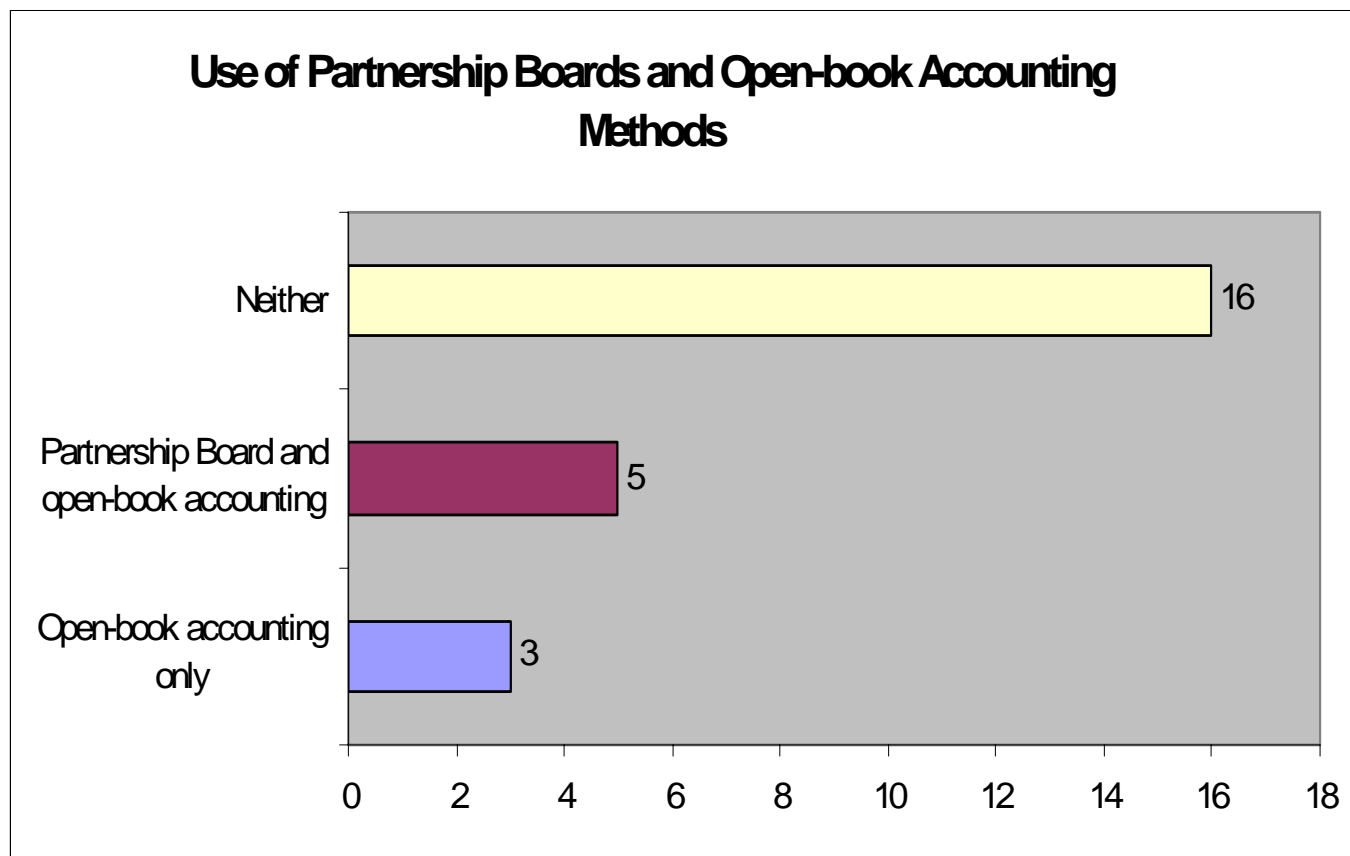
Only 7 of the contracts are managed with adequate and trained resources, the data suggests



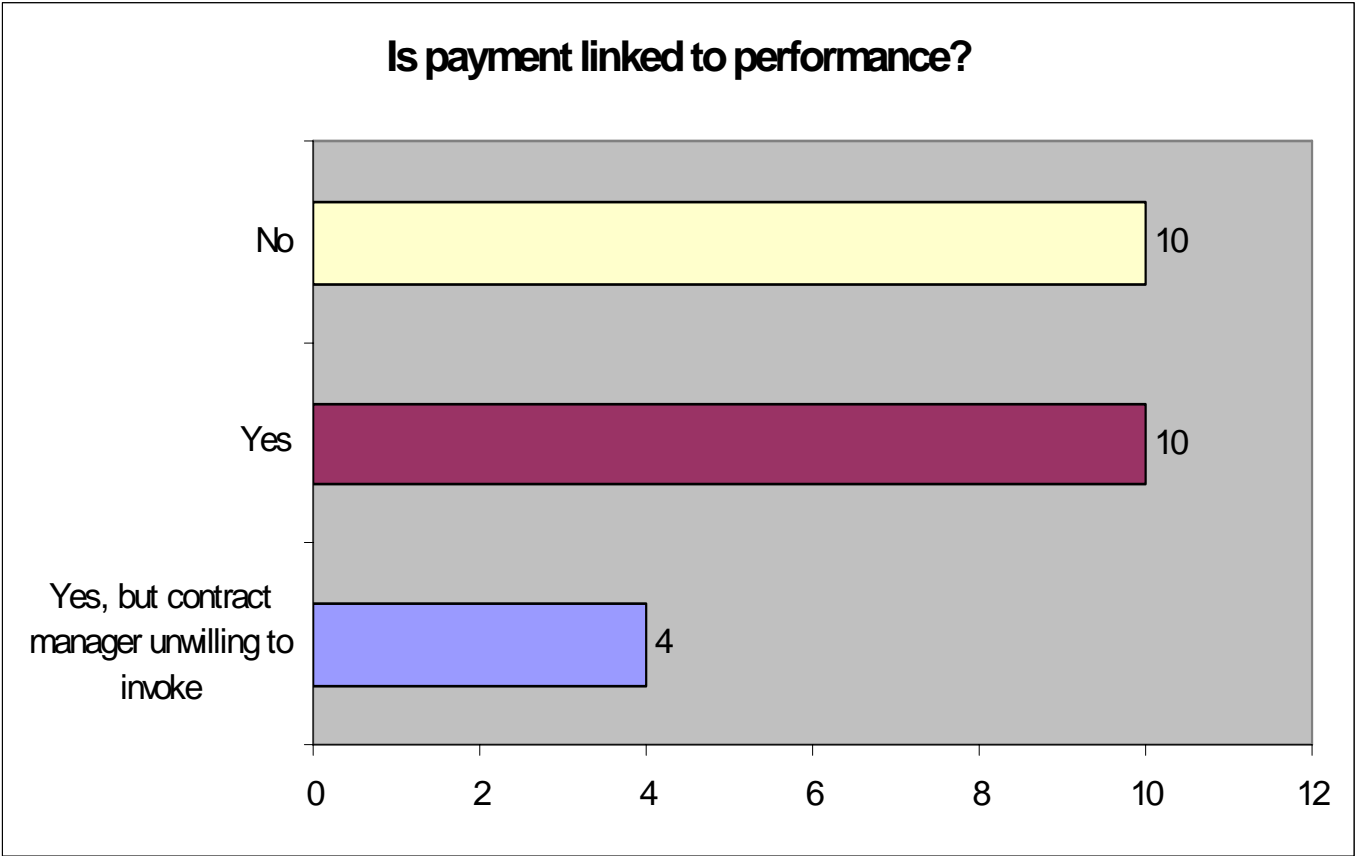
Contract Managers are split as to whether they feel their relationships are more formal or more informal



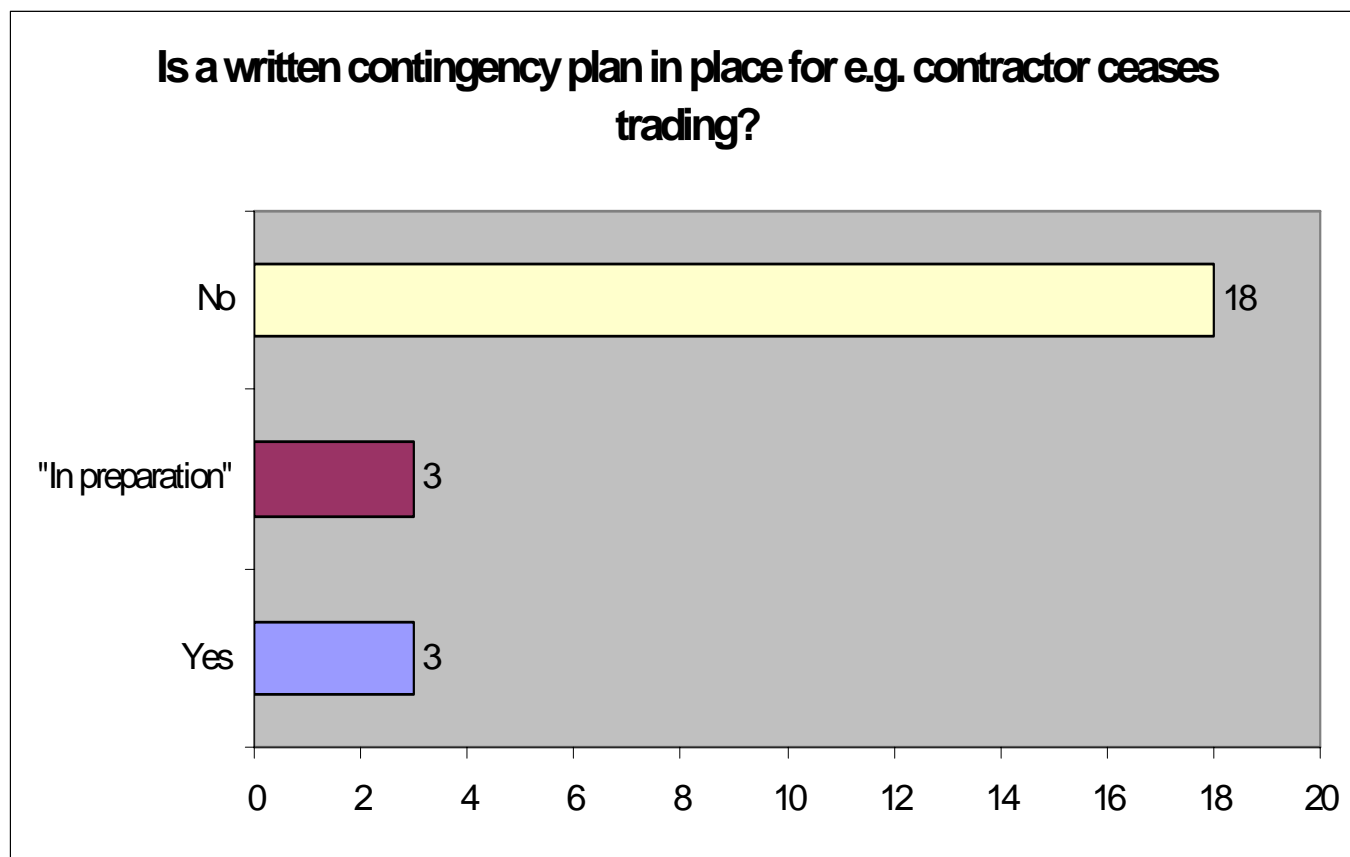
Only a third of contracts use Partnership Boards or open-book accounting to manage their relationships



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

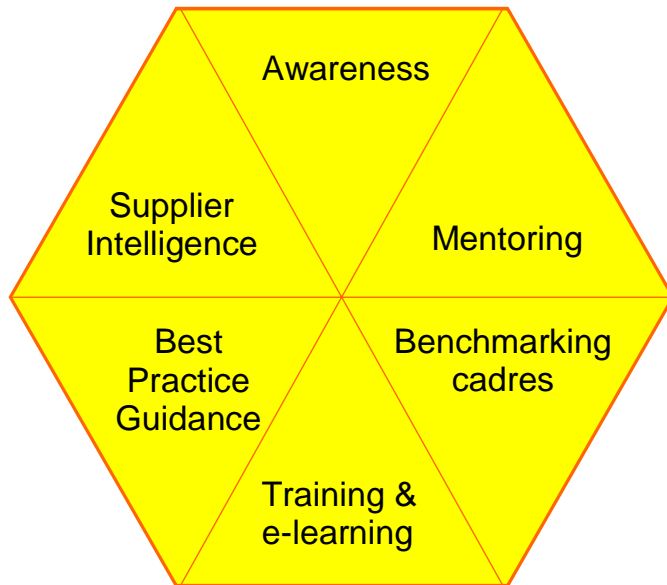
- Authorities need to make better use of commercial or procurement expertise in managing contracts.
- Benchmarking is undertaken at best only in broad terms.
- No contract manager revisits the business case or operates a clear process for reporting whether the benefits are being delivered.
- Authorities 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: Phase 2



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

PFI Operational Taskforce

A small unit at Partnerships UK providing proactive support to public sector managers on operational issues. It will:

- provide a helpdesk facility
- develop guidance on e.g. benchmarking, payment mechanisms and variations to contract
- undertake a pilot scheme of operational reviews of PFI projects
- gather information on trends
- negotiate codes of conduct with the private sector giving a consistent approach across older contracts.



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