

Committee:	Date:
Establishment Committee	9 July 2018
Subject: Commercial Contract Management function update (City Procurement)	Public
Report of: The Chamberlain	For Information
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Summary

Establishment Committee in July 2016 approved a new structure within City Procurement to accommodate the newly created Commercial Contract Management team. This new team was created in line with recommendations from the Service Based Review process, specifically looking at procuring and managing contracted services with an aim to identify within the end to end process where improvements could be made. This report highlights the outputs from this new function 12 months on from its go live date of April 17 and reflects on lessons learned in establishing a new function.

Summary of achievements to date of the new Commercial Contract Management team:

- Developed and launched a best practice contract management toolkit which provides guidance, procedures, templates and toolkits for all contract managers to enhance our consistency, capability and abilities in managing all aspects of a contract.
- Savings of £318k delivered during 2017-18, with a pipeline of £1.27m live at present.
- A corporate supplier performance scorecard in place for our top forty suppliers which is due to be reported at Efficiency and Performance Sub Committee in July 18.
- The new function is leading on several corporate efficiency reviews (such as fleet, travel and events) as well as leading on the creation of business plans for income generation and commercial opportunities.

Despite a more challenging first twelve months than anticipated, the service is now fully functional and delivering commercial benefits, savings, best practice advice and a full service to assist departments in all aspects of contract management. We fully expect the savings of £1.27m to be achieved this year with an ongoing healthy pipeline of commercial opportunities growing with a mix of short, medium and long-term projects delivering sustainable strategic and commercial value to the organisation.

Recommendation(s)

Members of the Establishment Committee are asked to:

- Note the report.

Main Report

Background

1. Establishment Committee in July 2016 approved a new structure within City Procurement to accommodate the newly created Commercial Contract Management team, with five new job roles established and one role to be transferred from the IT Division, the aim was to have this new service “live” from April 2017. Further to this Policy and Resources Committee (also in July 2016) approved a baseline budget increase to fund this new service on a continued basis.
2. This new team was created in line with recommendations from the Service Based Review process, specifically looking at procuring and managing contracted services with an aim to identify within the end to end process where improvements could be made to:
 - a. Get us better value from contracts through greater commercialism.
 - b. Provide us with more control over contract performance.
 - c. Embed the appropriate amount of governance and reduce the risk to the Corporation and Customers.
 - d. Improve relationships with suppliers and how we engage.
 - e. This will enable The Corporation to get into a model of transitioning business needs into “fit for purpose” services.
 - f. Improve the income generation performance of the Corporation.
3. In summary it was felt the Corporation lacked in “commercial savvy” in relation to how it faces off to suppliers who often have dedicated commercial professionals in situ and that the Corporation was often weak in developing specifications.

New job roles and responsibilities

4. Once approval was given at Committee in July 2016, and the Job Evaluation process was completed during October 2016, the following new roles were established.
 - i. **Assistant Director of Commercial Contract Management** – This role is responsible for the development and change in introducing the new Contract Management Framework as well as managing the Commercial Contract Management team. The role acts as the lead contract dispute resource corporately.
 - ii. **Commercial Contract Manager(s) (three roles)** – These roles are responsible for commercial and strategic activity with a portfolio of strategic contracts and have targets set to achieve cost avoidance and efficiency savings across the life of the contracts within that portfolio. They also deliver reactive advice or interventions to contracts throughout the Corporation.
 - iii. **Commercial Contract Analyst** – This role supports the Commercial Contract Management team with detailed analysis on any contract data, market research or negotiation information required to support successful portfolio management.

Job role transferred from IT Division

5. As part of the establishment of the team, an existing role of IT Contract and Supplier Relationship Manager was transferred in the Commercial Contract Management team, for note this included the postholder. The duties of this role aligned closely with the new function and it was felt the postholder would benefit from working in an environment with peers delivering similar outputs.

Recruitment

6. A campaign to recruit into the vacant roles commenced in October 2016, with the three Commercial Contract Managers being successfully appointed and commencing their new roles between January and March 2017 in advance of the service go-live in April 2017. The campaigns saw us appoint a blend of skillsets, attracting a private sector account director, an experienced service contract manager and a category manager from within City Procurement.
7. The Commercial Contract Analyst role was also successfully recruited with an external private sector candidate appointed and commencing employment during March 2017.
8. Unfortunately, the recruitment of the Assistant Director role, and the expected commercial lead proved more difficult with two failed recruitment campaigns. A third campaign was run using recruitment agencies and a candidate was hired in April 2017 from a private sector consultancy firm. This appointment has ultimately proved not to be successful with the postholder leaving the organisation in December 2017. One of the existing Commercial Contract Managers is now in place as a nine-month temporary Assistant Director to stabilise the new service roll out.
9. Lessons learned from the failure to attract the correct calibre of candidate for the Assistant Director have been reviewed to ensure we get the appointment correct when hiring permanently for the role later in the financial year.

Achievements after 12 months

10. The team were established to achieve the following outcomes:

- i. *Improved and consistent contract management across the organisation, leading to improvements in, or maintenance of, quality delivery at a lower cost. **Outcomes to date:*** The CCM team has developed and launched a best practice contract management toolkit which provides guidance, procedures, templates and toolkits for all contract managers to enhance our consistency, capability and abilities in managing all aspects of a contract. This has been underpinned by corporate training on an ongoing basis.
- ii. *Deliver year on year cost avoidance, reducing scope creep, contract variations and service charges. **Outcomes to date:*** There has been savings of £318k delivered at the end of the first year, specifically in the areas of reducing scope creep, dispute resolutions and cost avoidance, with a pipeline of £1.27m live at present.
- iii. *Ensuring the proactive monitoring of performance of all objectives:*
 - i. e.g. Best Value, Social Responsibility (SR), Risk, Supply Chain resilience, Financial health, Reputation Risk, Billing and Health and

Safety. Outcomes to date: We have now established a corporate supplier performance scorecard that has had its first round of assessments and is due to be reported at Efficiency and Performance Sub Committee in July 18. The scorecards illustrate how our key suppliers are performing currently and document action plans where improvements are required to strengthen the contract.

- iv. *Look holistically at contracts throughout their life cycle. Outcomes to date:* The CCMs are now embedded in all governance and contract relationships to ensure all opportunities to improve contracts are considered as well as being a key contributor to service specifications ensuring the next generation contracts are enhanced to protect the corporation and harbour innovation and commercialism.
- v. *Deliver wider commercialism benefits. Outcomes to date:* The new function is leading on several corporate efficiency reviews (such as fleet, travel and events) as well as leading on the generation of business plans for income generation and commercial opportunities.

Moving forward

11. Despite a more challenging first twelve months than anticipated, the service is now fully functional and delivering commercial benefits, savings, best practice advice and a full service to assist departments in all aspects of contract management. We fully expect the savings of £1.27m to be achieved this year with an ongoing healthy pipeline of commercial opportunities growing with a mix of short, medium and long-term projects delivering sustainable strategic and commercial value to the organisation.

Conclusion

12. The proposed structure changes presented were to enable the establishment of the new Commercial Contract Management team approved at Efficiency and Performance Sub-Committee in March 2016 following recommendations of the Service Based Review group on Procuring and Management Services. The structure also sees some minor job title changes to the existing structure to bring City Procurement in line with corporate naming conventions.

Background Papers

- Establishment Committee - ***City Procurement restructure to incorporate new Commercial Contract Management team.*** Approved 19 July 2016.
- Efficiency and Performance Sub-Committee - ***Service Based Review of Procuring and Managing Services Final Report.*** Approved: 7 March 2016.

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