**Kent County Council**

**BD21338_ for BD21338_**

**Contract Management Guide**



Documents Prepared By:

**Strategic Sourcing & Procurement**

**Kent County Council**

**Sessions House  
County Hall   
Maidstone**

**Kent  
ME14 1XQ**

**Not to be reproduced without written permission of KCC**

**Version Control**

| **Version Number** | **Description** | **Section** | **Date** | **Approved** |
| --- | --- | --- | --- | --- |
| 1 | Original issue |  | 20/02/2015 | H.Swan |
| 2 | a) Add table for version control.  b) changed Headings 2.5 to ‘Measurement and Reporting’  c) Changed Heading 4.1 to ‘Variation Form’  d) Add Text to ‘KPI Scoring’ section  e) Change references to ‘Contract Change Control Form (CCCF) to Variation’  f) Add text to Measuring and reporting’ section.  g) Added word ‘Takes’ to Sub Contractors section  h) Add text to ‘ Sanctions’ section  i) Changed a number of Links to embedded files. Added embedded files ‘14’ and ‘15’  J) Changed abstract to reflect Strategic documents. | Contents  Contents  2.1  2.4  2.5  2.7  2.8  4  1 | 25/03/2015 | P.Richardson |
| 3 | a) Change to Attachment entitled ‘Contract Management Strategy. B) Remove draft watermark from ‘Contract Operations Manual’. | 4 | 06/05/2015 | P Richardson |
| 4 | Addition of PCR 2015 details relating to Contract Performance | 3.11 | 28/05/2015 | P.Richardson |
| 5 | Updated Contents | 4 | 01/06/2015 | P.Richardson |
| 6 | Addition of Financial Management | 3.12 | 10/08/2015 | P.Richardson |
|  |  |  |  |  |

|  |
| --- |
| **Abstract**  The guide has been created to supplement the Contract Management (CM) Training programme and to give Kent County Council (KCC) staff an appreciation of what is involved to ensure that contracts are achieving the maximum value for population of Kent. It does not detail all information and process detail, but does ensure that CM is approached in a structured way, whilst allowing the individual to expand CM application and knowledge through further reading, training and applied experience.  The council now has a strategic statement that will cover the 2015 – 2020 periods.  This statement focuses around the Vision of:  Improving lives by ensuring every pound spent in Kent is delivering better outcomes for Kent’s Residents, communities and businesses  **This comprises of three Strategic Outcomes:**  Children and young people in Kent get the best start in life  Kent communities feel the benefits of economic growth by being in work, healthy, and enjoying a good quality of life  Older and vulnerable residents are safe and supported with choices to live independently  Over the past four years the Council has made £350m in savings, whilst continuing to provide effective services for Kent’s residents, businesses and communities. During the next three years the council will need to save a further £260m, with further savings projected beyond then.  The Council has published its Commissioning Framework that consists of ten principles:  1) Focused on outcomes for our residents.  2) A consistent commissioning approach to planning, designing and evaluating services.  3) The right people involved at the right stage of the commissioning.  4) Open-minded about how best to achieve outcomes.  5) High –quality, robust evidence informing our decisions  6) Hold all services to account for the delivery of KCC’s strategic outcomes.  7) Customers at the heart of the commissioning approach.  8) A commitment to building capacity  9) We will maximise social value.  10) Our supply chains will be sustainable and effective.  The three major Council contributors to this framework are Commissioning, Procurement and contract Management staff.  This guide is to be received as an enabling tool to assist Contract Management staff, in conjunction with Commissioners and Procurers, to deliver their responsibility to these principles.  The guide is not expected to give its users the answers of how to complete all tasks that are required to manage a specific contract, that will be achieved by the ‘Contract Operations Manual’, the ‘CM Strategy’ and the application of specific CM Tools, but it will give the CM staff to ability to recognise skills and knowledge gaps, understand the rationale behind process and utilise the aspects of standardisation to create the most advantageous application of CM.  This CM guide will deliver an understanding of:   * CM * Where CM fits into the Delivery of a Project * Documentation * CM practices * Monitoring processes * Performance * An approach to managing the Supplier (s). * What is the Project lifecycle * Supply Chains * Governance * An appreciation of Risk * Creation of a CM Strategy * Proving the objectives of the Contract * Collaboration and Co-operation   The guide gives example related applications. These are already in place in KCC as part of an ongoing project or a proposed solution. Standard documentation is attached, but will be available via a SharePoint site in the near future. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Contents   | **Section** | **Title** | **Sub-section** | **Title** | **Page Number** | | --- | --- | --- | --- | --- | | Abstract |  |  |  | 1 | | Contents |  |  |  | 4 | | Glossary |  |  |  | 6 | | 1 | Introduction |  |  | 7 | |  |  | 1.1 | What is Contract Management? | 7 | |  |  | 1.2 | How does CM compliment the delivery of the Solution? | 7 | |  |  | 1.3 | What are the benefits that can be achieved by CM? | 8 | |  |  | 1.4 | How do we apply CM? | 8 | |  |  | 1.5 | CM implementation | 11 | |  |  | 1.6 | The Commissioning lifecycle and CM | 12 | |  |  | 1.7 | KCC / CM Strategic Objectives | 13 | |  |  | 1.8 | Contract Objectives and Outputs | 14 | |  |  | 1.9 | CM Accountabilities and Responsibilities | 15 | |  |  | 1.10 | Applied CM (Resources / Strategic / Tactical / Skills) | 15 | | 2 | Contract Administration & Operations |  |  | 16 | |  |  | 2.1 | Key Performance Indicators(KPI’s) | 16 | |  |  | 2.2 | Escalation Process | 23 | |  |  | 2.3 | Safeguarding Vulnerable Adults | 24 | |  |  | 2.4 | Variation Process | 24 | |  |  | 2.5 | Measurement and Reporting | 25 | |  |  | 2.6 | Business Continuity | 27 | |  |  | 2.7 | Sub-Contractors | 27 | |  |  | 2.8 | Sanctions | 28 | | 3 | Management |  |  | 32 | |  |  | 3.1 | Risk | 32 | |  |  | 3.2 | Target setting | 33 | |  |  | 3.3 | CM Setting | 34 | |  |  | 3.4 | Supplier Relationship Management (SRM) | 35 | |  |  | 3.5 | Supply Chains | 38 | |  |  | 3.6 | CM and the Contract Structure | 39 | |  |  | 3.7 | Value Testing | 39 | |  |  | 3.8 | Auditing | 40 | |  |  | 3.9 | Documentation and Governance | 40 | |  |  | 3.10 | Health and Safety | 41 | |  |  | 3.11 | CM inline with the PCR 2015 |  | |  |  | 3.12 | Financial Management | 46 | | 4 | Standard Documentation and Tools |  |  |  | |  |  | 1 | Variation Form | 51 | |  |  | 2 | Risk Register | 51 | |  |  | 3 | Risk Management Policy | 51 | |  |  | 4 | Performance Monitoring and Management | 51 | |  |  | 5 | Meeting Agenda | 51 | |  |  | 6 | Contract Conditions | 51 | |  |  | 7 | Audit Logs | 51 | |  |  | 8 | CM Strategy | 51 | |  |  | 9 | Contract Operations Manual | 51 | |  |  | 10 | Exit Strategy | 51 | |  |  | 11 | Procurement Plan | 51 | |  |  | 12 | Improvements and Value Checker | 51 | |  |  | 13 | Benchmarking | 51 | |  |  | 14 | Reporting log | 51 | |  |  | 15 | Meeting Scheduler | 51 | | Contact |  |  |  | 51 | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Glossary:   |  |  | | --- | --- | | Title | Description | | Commissioning | Commissioning is the process of specifying, securing and monitoring services to meet people’s needs at a strategic level. (NAO) | | Procurement | The act of obtaining or buying goods and services from preparation to receipt and payment. | | Supplier | Organisation contractually engaged to deliver Goods, Services, Utilities or Works to deliver the Requirement. | | Solution | The method used to fulfil the requirement. | | Specification | The standards, Quality, Quantity and type required to meet defined Goods, Services, Utilities or Works. | | Outcomes | The outcome is the general strategic target to be fulfilled by the Requirement | | Output | A specific measurable target relating to the objectives of the Contract | | Objectives | Short term outcomes specifically related to the Requirement. | | Project | A structured approach to delivering a number of requirements | | Need | The Requirement | | Contract Manager | Staff member given the responsibility and accountability for the management of the Contract. | | CM Principles | A set of self-imposed guidelines to maintain integrity, inclusive of: Accuracy, Ethics, professionalism, Honesty. Fairness, Transparency, and openness | | Methodology | The Philosophy used to gather the information to be used to assess the benefit of the Contract. | | Method | The process by which information is measured and delivered. | | Contract | The formalisation of an agreement into Law. | | Agreement | The formalisation of a relationship, which is not enforceable in law. | | Appendix | Details that is additional to the original document. | | Schedules | Details that is complementary to the Contract. | | Contract Operations Manual | The document that enacts the principles and operational controls of the Contract. | | Stakeholders | Kent County Council and the population of Kent. | | Ranking | A scoring mechanism that list Suppliers achieved scoring into a descending or Ascending order of attainment. | | Requirement | The specification plus associated information required to receive a controlled delivery of the Goods, Services, Utilities or Works | | Strategy | The plan used to complete a task or requirement | | Audit | The reviewing of information relating to a process or stipulation to ensure Openness, Fairness, transparency and accuracy. | |

**1. Introduction**

1.1 What is Contract Management (CM)?

|  |
| --- |
| There are many definitions of Contract Management (CM), which complement each other, however to summarise:    ‘CM is the discipline that is applied to the Contract supply chain that will allow improvements, compliance, sustainability, value and relationships to be delivered for the benefit of all parties for the contract duration and beyond’.  and  Contract management is a process by which a Supplier is motivated, enabled and empowered to achieve extra value added, over and above that which has been specified originally and assessable against criteria in the original contract. *( CIPS)* |

1.2 How does CM compliment the delivery of the Solution?

|  |
| --- |
| To enable delivery of a solution for a procurement need identified by KCC three disciplines are required:   * Commissioning * Procurement * Contract Management   All three disciplines have a complimentary role to deliver an acceptable solution to the need and outcomes. This applies throughout the whole lifecycle of the solution, but with a variable effect depending on the progress through this life cycle.  For example: CM will be involved at the early stages by sharing experiences of previous contract by suggesting appropriate delivery inclusions that will ensure a manageable contract is available and supports the opportunity for improvements, cost and price reductions, service variations, contractual and Supplier relationships.  Without this relationship contracts are not able to deliver their full potential  The Need  Commissioning  The  Solution  Procurement  CM  The Outcome |

1.3 What are the benefits that can be achieved by CM?

|  |
| --- |
| * Improved quality of service and Supplier focus * Achieving value for money and financial control * Managing Risk to an acceptable level * Clarification of roles and responsibilities of the Contract Manager, Suppliers and Contract Users * Reducing the risk of not achieving the desired outcome or objective. * Early identification and resolution of poor performance, contractual issues or disputes * Measurement of the specification against contract performance and identification of contract changes and/ or variations * A structured approach to delivering Strategic outcomes * Improved Supplier Relationship Management * Openness, Transparency and Equitability * Auditability |

1.4 How do you apply CM?

|  |
| --- |
| The outcomes objectives and outputs of the specific contract are achieved by using clearly communicated CM Principles, Methodology’s and Methods.  I.e. in the Residential and Nursing contracts the outcomes and objectives will be delivered by both Operational and Strategic management.  Note! The methodology is the way of achieving the statistic, i.e. either by Subjective or objective measurement. The method is the way in which the information is collected i.e. Subjective – interview, survey, observation or objective – using industry standards, submitted figures or completed tasks, yes / no questionnaires.  **Operational**  **Performance measurement**  Accurate reporting information must be received to enable the contract to be managed at minimal cost and resource but maximum benefit to the Service Users. Information is to be sourced from the most appropriate place, which in this case are the Residential / Nursing homes. This information will deliver statistics and performance data enabling KCC and the Supplier to recognise and enhance the service delivery. Key Performance indicators are a delivery method that can deliver information relating to both type of methodology i.e. KMI – Key Management indicator and KOI – Key Operational Indicator  As an addition to the KPI’s, performance can be measured in relation to individual Targets. Targets should always be achievable, agreed and measurable. These should be linked to a Gain / Loss model:  For example:  A cost saving:  A reduction in cost can be measured – the cost of implementation (inclusive of all change costs). This will be dependent on the final outcome to the organisation, not the proposed saving to the organisation. It should be a whole life costing; this will include ongoing maintenance (Revenue Cost), capital (Capital Cost). If there is a sharing of the savings then this should only be payable over a 12 month recovery, not confirmed until actual delivery of the saving and a percentage split. The level of the split can be apportioned by Risk i.e. if KCC takes all the risk of investment or requires partnering relationships then KCC may wish to apply a higher split due to taking both financial investment and the management of personal relationships.  A failure to achieve targets and/or KPI’s must have a negative impact. KPI’s are measured and managed by the Escalation process. Targets are measured by proof of achievement.  Failure will be reflected in the KPI’s by enactment of the Escalation process, Failure of Targets will result in a reducing level of trust, reduction in the appetite to engage, the reluctance to continue the relationship and potential Termination of Contract.  **Lean Processes**  Lean management is a discipline that can be used by CM to support the concept of continuous improvement. The application is an approach to work that systematically seeks to achieve small, incremental changes in processes in order to improve value and quality.  Lean management seeks to eliminate any waste, be it time, effort, resources or money by identifying each step in a business process and then revising or cutting out steps that do not create value. The concept has its roots in manufacturing.  Guiding principles for lean management include:   1. Defining value from the standpoint of the end User or Resident. 2. Identifying each step in a business process and eliminating those steps that do not create value. 3. Making the value-creating steps occur in tight sequence. 4. Repeating the first three steps on a continuous basis until all waste has been eliminated.   The rational of applying smaller tasks over short periods of time is to encourage completion, reduce expenditure and deliver a visible result.  **Strategic**  This requires a review of the Supplier(s) to identify if and how the relationship can be evolved to deliver benefit to KCC. This may need the re alignment of the Suppliers business outcomes and objectives, which can prove to be a fundamental block to Relationship development. To be able to move the Supplier into the ‘Strategic Supplier’ position will require an assessment of the balance between the cost of achieving the benefit compared to the reduction of future costs ,reduction in the risk of failure and the reduction in impact on a successful transition and not achieving KCC Strategic Outcomes.  **Service Delivery**  The strategy for Service delivery will enable the Contract to deliver its outcomes and objectives.  The sharing, transparency and accuracy of information and the openness of the supply chain will impact on flexibility and response time. The ongoing development of Technology will assist with information gathering, but this needs to be accompanied by training and/or familiarisation. Publishing and access to the contract related KCC outcomes and objectives will allow the Supplier(s) to be ready for change and assist with business planning.  The foundations for CM of the Contract are laid down at the Procurement Plan stage. This includes proposals for: Savings, Value, level of service, pricing mechanisms, Supplier incentives, performance measurement, communications, escalation process, procedures, exit strategy, Special Conditions, Capital management etc.  If the contract is poorly constructed, it will be much more difficult to make the relationship a success. It is vital to build a contract that not only identifies clearly the obligations of the Supplier, but also the liabilities of KCC. Whilst the Contract must be built on a firm formal and legal foundation, it should not be so restrictive that it precludes flexible, constructive management of the relationship between KCC and the Supplier.  Critical Success Factors  *Good preparation*: An accurate assessment of needs helps create a clear output-based  Specification. Effective evaluation procedures and selection will ensure that the contract  is awarded to the ‘Best Fit’ Supplier.  *Single business focus*: Each party needs to understand the objectives and business of  the other. The Supplier must have clear business objectives, coupled with a clear  understanding of what the contract will contribute to them; the Supplier must  also be able to achieve their objectives, which should be aligned with KCC, including making a reasonable profit.  *Service delivery management and contract administration*: Appropriate governance will  ensure that Council gets what is agreed, to the level of quality required. The performance under the contract must be monitored to ensure that KCC and the Supplier continue to get value.  *Relationship management*: Mutual trust and understanding, openness, and excellent  communications are as important to the success of an arrangement as the fulfilment of  the formal contract terms and conditions.  *Continuous improvement*: Continuous Improvements in price, quality or service should be sought and, where possible, built into the contract terms. A delivery mechanism must reflect a lean approach.  *People, skills and continuity*: It is important to ensure that people with the right interpersonal and management skills manage these relationships on a peer-to-peer basis and at  multiple levels in the organisation. Clear roles and responsibilities should be defined,  and continuity of key staff should be ensured, as far as possible. A Contract Manager (or  contract management team) should be designated early on in the commissioning process  process.  *Knowledge*: Those involved in managing the contract must understand the business  Fully, know the contract documentation inside out ("intelligent client" capability) and have the appropriate practise and academic skills. This is essential if they are to understand the implications of problems (or opportunities) over the life of the contract.  *Flexibility*: Management of contracts usually requires some flexibility on both sides and  a willingness to adapt the terms of the contract to reflect a rapidly changing world.  Problems are bound to arise that could not be foreseen when the contract was  awarded.  *Change management*: Contracts should be capable of change and variation (to terms, requirements and perhaps scope) and the relationship should be able to demonstrate a joint commitment to facilitate it.  *Proactivity*: Good contract management is not reactive, but aims to anticipate and  respond to business needs of the future. |

1.5 Contract Management Implementation

|  |
| --- |
| During the final stages of the Contract signature process a pre-contract meeting will take place. The reason for this is to ensure that the Supplier(s) understand the Contract documentation and agree that the commitment to deliver, in line with the Contract, is confirmed. This will include the CM Schedule.  The CM Schedule will be mentioned in every contract over £50, 000. This schedule will stipulate to the Supplier the requirements of the ongoing CM requirements. It is important that the Contract Manager is present at this Pre Contract Meeting, to ensure that any questions can be answered.  After a Contract has been signed there are a number of matters that should be addressed to provide the foundation for successful contract management. An early step is to ensure that sufficient resources and senior management support are available to manage the contract. It is equally important to understand both the contract provisions and contractual  relationships at the outset.   * Gain an understanding of the background to the Contract experience and the relationship that has been developed, so far, with the Supplier. * Plans for future relationship development and any influencing issues that can affect the relationship development. * Communicate data collection systems, introduce protocols and procedures. * Review the ‘Contract Operations Manual’ highlighting the Contract Terms and Conditions, clarify all priority aspects, review and highlight KPI’s, review any Intellectual Property issues, * Review the structure and governance requirements and clarify any timescales for processing, create a meeting and reporting schedule. Discuss the outcomes and objectives of the contract and highlight initial timescales and sections required. |

1.6 The Commissioning Lifecycle and CM

|  |
| --- |
| The Commissioning Lifecycle refers to the complete life cycle of the Need. This life cycle comprises of three complimentary individual life cycles relating to the Disciplines of Commissioning, Procurement and Contract Management.  The following CM cycle and associated text is supplied via the National Audit Office:  **Integration across the Commissioning Lifecycle**  CM is an essential part of the Commissioning Lifecycle (Figure 11). Greater planning and consideration of contract management is needed in other parts of the cycle:  **Designing policy**  Departments should consider their CM capability when designing their policies and contractual approaches.  **Generating solutions**  HM Treasury’s guidance already requires contract management to be considered as part of the business case for a project, but this is rarely prioritised.  **Mobilising CM**  The cross-government review found a lack of continuity and limited transfer of knowledge from the pre-contract phase to operational contract management.  **Evaluating projects that have finished**  Departments rarely collate data to enable an evaluation of the best contractual models and techniques. For instance, this has meant that government has not been able to verify whether PFI has achieved value for money compared to conventional financing. |

The following Contract Manager / Commissioning Lifecycle demonstrates the correlation between both life cycles

****

1.7 KCC / CM Strategic Objectives

|  |
| --- |
| Facing the challenge: Whole Council Transformation includes the outcomes that address the financial challenge over the medium term, as income reduces due to reductions in Government funding, but spending demands from demographic and other uncontrollable pressures continue to increase.  Facing the Challenge - sets out how this growing gap between resources and needs can only be met by taking a radically different approach, an approach that requires whole-council transformation, as stated in the ‘Abstract’ section.  Detailed below is a commissioning strategy being implemented to support the Older People Residential delivery:  In the context of the delivery of CM, it will be structured around the following Commissioning and Procurement Programme:  **Commissioning and procurement programme**    This programme, which is structured in two waves, The first wave will first focus on delivering better value for money on the services we currently buy. The second wave will focus on the development of strategic partner based relationships and support us to transition to outcome based commissioning. It will also help increase the opportunities for greater choice, control and personalisation.  Context and approach:   * Transformation of existing provider based services with focus on developing strategic partner based relationship and transition to outcome based commissioning * Key areas of transformation will be home care services (short term/long term), residential care services for older people/older people mental health and residential placements for learning disability, physical disability and mental health service users   Benefits:   * Improved service performance – greater visibility over performance and improvement in quality of service * Long term shift in improvement to outcomes for services users * Stronger working relationships with fewer providers embedded through contract management * Realisation of sustainable cost efficiencies * More efficient placement processes manifesting in lower cost administration |

1.8 Contract Objectives and Outputs

|  |  |  |
| --- | --- | --- |
| The Objectives of the Contract:  The objectives of the Contract will be linked to the Specific outcomes as highlighted in ‘Facing the Challenge: Whole Council Transformation and the specific service being delivered.  For example:   |  | | --- | | The Supplier shall deliver a Care and Support Nursing Service for Older People, usually, but not limited to, those over 65 years of age, living in Nursing homes who are ordinarily resident within the administrative area of Kent County Council.  This objective relates to an interpretation of the second stated ‘Facing the Challenge: Whole Council Transformation’ outcome.  That the Supplier shall deliver a service where residents are at the heart of adult social care and nursing activities, receiving services that are easy to access, of good quality and that maximise their ability and opportunity to live independently and safely with access to good nursing care.  A more specific set of contract Outputs could be:  Improved Health and Wellbeing  Improvement to a perceived Quality of Life  Higher levels of Independence - reducing the need for care and support | | A Positive experience of Care and Support  Increased Personal Dignity and Compassionate Care  A Choice and Control of personnel Care  A Safe Environment  A reality of Freedom from Discrimination or Harassment | |

1.9 CM Accountabilities and Responsibilities

|  |
| --- |
| It is important to define the Accountabilities and Responsibilities of the Contract Manager.  For example:  The Contract Manager will be accountable to KCC and the people of Kent.  The Contract Manager is accountable to the Senior Manager for maintaining a contractual relationship that delivers the service required from the Suppliers.  The Contract Manager will be responsible for the accurate, diligent and auditable control of the requirements and for the generation of enhanced value of the Contract. |

1.10 Applied CM (Resources / Strategic / Tactical / Skills)

|  |
| --- |
| At the beginning of the Commissioning lifecycle the solution process will need to be discussed and structured, inclusive of representation of each Discipline. As a result a Commissioning strategy will be completed, which includes representation from all three disciplines. To complement the Procurement Plan a number of CM details must be completed. This complimentary information will appraise Senior management and Elected Members of the full commissioning Lifecycle, which includes full life costs.  The requirements for the revised Procurement Plan are highlighted in Appendix 5.12 |

**2. Contract Administration and Operations**

**2.1 Key Performance Indicators (KPI):**

|  |
| --- |
| * The KPI is a delivery mechanism to monitor, enhance and assist in managing performance of the Supplier. * Without continued relevant information trends, spikes and effects cannot be measured in a meaningful and accurate way. * Note! It is important to ensure that delivery performance is directly related to the payment mechanism. For example: poor performance must reflect a reduced payment, where good performance could result in additional payments on a benefit sharing basis. * KCC and the Supplier can use a number of KPI structures, but the following example highlights the KPI’s being applied in the Older Persons and Residential Contracts. * KCC has utilised the following measurable indicators to deliver a continuously improving service, thereby increasing value and reducing process and supply chain waste and costs whilst culminating in a better value operation. * Using Key Operational Indicators (KOIs) and Key Management Indicators (KMIs), types of KPI’s, KCC has populated tools for the monitoring of the Operational and Management requirements of the contract, which will be submitted by Suppliers to KCC using a web based form(s). This information will be collated and performance reports will be published for the benefit of Suppliers, health and social care professionals and the public to enable them to make more informed choices. * KCC may have liquidated damages stated in the Agreement, which can be applied as an additional outcome of poor performance. Liquidated damages maybe monetary, service credits or additional value activities. |

Key Performance Indicators (KPI’s)

|  |
| --- |
| There are two types of indicator used in this contract.   * Key Management Indicators (KMI’s) * Key Operational Indicators (KOI’s) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Expected Outcome** | **KPI** | **Target** | **Reporting Period** | **Priority Level** | **Weighting** |
|  |  | **Theme: Service Users** |  |  |  |  |
| 1) | Residents are engaged, responding and satisfied with the service provided. | Number of Residents asked for their opinion on the service provided. Number of responses received. % of respondents indicating that they are satisfied with the service. | 90% satisfaction rate | Annually | 3 |  |
| 2) | Suppliers proactively deal with all complaints, suggestions and compliments. | Number of complaints/suggestions/compliments received during the said reporting period | 100% of complaints suggestions received responded to within 28 days of receipt. | Quarterly | 2 |  |
|  |  | **Theme: Care and Support Plans** |  |  |  |  |
| 3) | The right Care and Support Plan is in place to meet individual Resident’s needs. | All Residents with a Care and Support Plan in place within 5 days of admission. | 100% of Residents with Care and Support Plan in place within 5 days of admission. | Monthly | 2 | 3 |
|  |  | **Theme: Staff Training and Development** |  |  |  |  |
| 4) | (Nursing) Health Care Assistants are qualified to enable them to deliver the right nursing care for the Residents | All health care assistants skills are developed to at least Level 2 Diploma in Health and Social Care through the Qualifications Credit Framework | 100% of HCA's working towards Level 2 Diploma. | Quarterly | 2 |  |
| 5) | All staff has received robust induction training so that they are equipped with the essential skills to deliver care. | All staff that have completed Skills for Care Common induction standards within 12 weeks from commencement of employment. | 100% of staff has completed the Skills for Care Common induction standards by 12 weeks from commencement of employment. | Quarterly | 1 | 7 |
| 6) | All staff have received formal dementia awareness training and are able to identify the individual needs of Residents living with dementia | All staff has completed formal dementia awareness training within 12 weeks of commencement of employment. | 100% of staff has completed formal dementia training within 12 weeks of commencement of employment. | Quarterly | 2 |  |
| 7) | A happy and steady and committed workforce will impact positively on the consistency of the care workers and therefore quality of care provided, enabling Residents to enjoy the benefit of familiarity of staff | # of staff left in the last reporting period # of agency staff used in the last quarter # of sick days taken in said reporting period # staff on zero hours contracts | No formal target set in Year 1 | Quarterly | 2 |  |
| 8) | Care home managers are equipped with the skills to lead and manage staff within the care home effectively. | All managers that have a day to day impact on the running of the home to have enrolled/completed a leadership or management training programme | 100% of managers enrolled/completed a programme within 6 months of employment commencement | 6 monthly | 1 | 7 |
|  |  | **Theme: Health Indicators** |  |  |  |  |
| 9) | Residents have access to appropriate health care in order to maintain good health. | To be referred to secondary or specialist health service as appropriate to any specialist health needs, including dieticians, speech therapists and physiotherapists. | 100% of referrals made within 24 hours of identification. | Monthly | 1 |  |
| 10) | Residents are weighed and monitored for fluctuations to identify any potential health issues. | Residents weight to be monitored on admission and at least a monthly basis thereafter. Any resident with a weight gain or loss in excess of 3kg should be referred to a health care professional for assessment with 24 hours of identifying the gain/loss | 100% of Residents weight to be monitored on admission and at least a monthly basis thereafter. Any resident with a weight gain or loss in excess of 3kg should be referred to a health care professional for assessment with 24 hours of identifying the gain/loss. | Monthly | 2 | 3 |
| 11) | Residents are protected from potential negative effects of preventable hospital admissions. | Number of Residents admitted to hospital via a planned admission and number admitted for an emergency. | No initial target in Year 1, Year 2  Target to be set. | Monthly | 2 |  |
| 12) | Residents have access to regular medication reviews in order to maintain good health | The home requests that all Residents that are on 4 or more medications to have a medication review every 3 months and all Residents that are on 4 or less medications to have a medication review every 6 months by the GP, reviews to be carried out from the point of admission. | 100% of Residents that are on 4 or more medications to have a medication review every 3 months and 100% of Residents that are on 4 or less medications to have a medication review every 6 months by the GP reviews to be carried out from the point of admission. | Quarterly | 1 |  |
|  |  | **Theme: Adult Protection/ Contract Compliance** |  |  |  |  |
| 13) | Adult Protection. All staff are appropriately checked prior to commencing employment and trained to identify possible abuse and prevent it from happening | All Staff have an enhanced DBS check prior to commencing employment and have received Adult Protection Training Level 1 within 12 weeks of commencement of employment. | 100% of Staff have an enhanced DBS check prior to commencing employment and have received Adult Protection Training Level 1 within 12 weeks of commencement of employment. | Quarterly |  | 5% |
|  |  | **Theme: Management Information** |  |  |  |  |
| 1) | Management information | No. current vacancies in a care home | N/A | Weekly every Friday by 5pm | 1 |  |
| 2) | Management information | No. of self-funders resident in a care home | N/A | Monthly | 1 |  |
| 3) | Management information | No. KCC funded residents in a care home | N/A | Monthly | 1 |  |
| 4) | Management information | Size of the parent organisation (no beds, employees?) | N/A | Monthly | 1 |  |
| 5) | Management information | CQC registration number | N/A | Monthly | 1 |  |
| 6) | Management information | Average bed occupancy | N/A | Monthly | 1 |  |
| 7) | Management information | No. of Residents Subject to DOLS | N/A | Monthly | 1 |  |
| 8) | Management information | No. of CHC funded residents in a care home | N/A | Monthly | 1 |  |
| 9) | Management information | No. of Short Term Residents | N/A | Monthly | 1 |  |
| 10) | Management information | No. of Permanent Residents | N/A | Monthly | 1 |  |
| 11) | Management information | No. of Residents Funded by other Local Authorities | N/A | Monthly | 1 |  |
| 12) | Management information | Number of Deaths | N/A | Monthly | 1 |  |
| 13) | Management information | Number of incidents reported to CQC | N/A | Monthly | 1 |  |

**Priority Scoring Method**

|  |  |  |
| --- | --- | --- |
| **Priority Score** | **Impact** | **Associated Priority Points** |
| 1 | Major impact – these indicators have a critical impact to the contract causing the high possibility of injury, challenge, financial and resource use. | 100  (250 – for the initial 3 months period) |
| 2 | Medium impact – indicators that affect the contract but are not deemed as critical to the operation. | 25 |
| 3 | Minor impact to the Contract. | 10 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **KPI’s Scoring**:  There are various ways of scoring KPI’s, but fundamentally they need to reflect the mechanism that will trigger actions relating to performance failure and the Escalation Process. For example in the KPI’s stated above:   * The KPI’s will operate a (100) points default level, unless within the 3 month familiarisation period which is increased to (250) points, which can be made up of any combination of the scoring categories, however, if a Priority One [1] scores is applied then this will automatically progress to the issue of a Default Notice. * A Default will be discussed and resolved by the using the escalation process. Always ensure a legal reference is added i.e.; in compliance with Clause 50 (KCC Model Terms and Conditions for Services). An unsuccessful completion of the Escalation process can be resolved by Termination of Services or temporary suspension, as per the Sanctions process. More than two [2] defaults will be addressed as a material breach and will also be covered by Clause 50 to be reviewed for Termination or a Suspension of Contract. * All measurement will be taken on a rolling 3 monthly basis. The Scores will be accrued on a 3 month rolling basis, but will not be taken more than once, as per attached model:  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Month** | **1** | **2** | **3** | **4** | **5** | | **Score** | **45** | **10** | **25** | **50** | **10** | | **Accrued** | **45** | **55** | **80** | **85** | **85** | |

|  |
| --- |
| * A repeat of a previously actioned default will result in ‘Double’ the Priority score being awarded. A third instance will result in the commencement of the Escalation Process and the award of 100 Priority points. * To ensure that performance is used as a preventative tool, to assist improving performance action and warning limits need to be applied. I.e. if failure is measure at 100 points then appropriate warning limit could be 70 points and the action point 85 points. For a more scientific application the use of SPC (Statistical Process Control) technics will generate an actual figure. |

**Ranking:**

|  |
| --- |
| A Benchmark exercise relating to the supplier base, will show progress and assist with the following years budgeting, however to ensure that progress is visual a Quarterly revision of key KPI’s can demonstrate progress, in an immature market. In the example below the Providers are assessed quarterly to assess progress from their original Contract starting position, using the following methodology of Objective data assessment, using the method of selective KPI’s.   * As stated in the Tender documentation performance will be measured annually for all Suppliers. In reference to the original scoring 20% (20 points) will be made available for the annual assessment. * Of the KPI’s stated in section 7 (Seven) 4 (four) have been identified as critical to the contract and have therefore been allocated a weighting which adds up to the 20 points stated in the original Tender evaluation. * Using the scoring of 0>4, as shown below a final score will be derived. This score will be used to Rank Suppliers in priority of best achieved score. This will be split into CCG listings and published. * Ranking can be improved annually, as the re-assessment takes place. * KCC reserves the right to change the Ranked score if performance either improves or reduces during the contract period. |

**Scoring Method:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Scoring Method** | | | | |
| 0 | 1 | 2 | 3 | 4 |
|  | | | | |
| Unacceptable | Poor | Acceptable | Good | Excellent |

|  |  |
| --- | --- |
| **Scoring** | **Description** |
| 0 | Frequent KPI failure and/ no increase in performance, including any contract sanctions |
| 1 | Some minimal performance improvement, but little CM engagement |
| 2 | Reasonable improvement and shows willingness to co-operate and improve |
| 3 | Good performance, suggesting improvements to service, takes on board all comments and actions, |
| 4 | An excellent example of a collaborative relationship, accurate, meaningful contributions and delivering targets. |

**2.2 Escalation Process**

Escalation is the administration process that allows the non-conformances and Events of Default to be moved in a timely manner to rectify the issue. Using the previously highlighted KPI’s thresholds the process will be enacted.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| * Tenderers should give details of appropriate staffing to support the escalation processes within their organisation for use in the event the Council may experience problems with any aspect of the contract. Please provide details in the tables below: * Escalation accountability and timescales (Information to be included in returned documentation): * Service Delivery Failure  |  |  |  |  | | --- | --- | --- | --- | | **Level** | **KCC** | **Supplier** | **Maximum Timescales** | | 1 | First Line Contract Support | [XXXX] | [5] day from notification | | 2 | Authorised Representative of KCC | [XXXX] | [5] Days from notification to enact. | | 3 | Senior Representative of KCC. | [XXXX] | [5] Working days from notification |  * Fast Track Escalation - Service Delivery Failure  |  |  |  |  | | --- | --- | --- | --- | | **Level** | **KCC** | **Supplier** | **Maximum Timescales** | | 3 | Senior Representative of KCC. | [XXXX] | Within[7] days |  * Escalation Path relating to Contracting Issues  |  |  |  |  | | --- | --- | --- | --- | | **Level** | **KCC** | **Supplier** | **Timescales** | | 2 | Authorised Representative of KCC | [XXXX] | [5]Working days from notification | | 3 | Senior Representative of KCC. | [XXXX] | [5]Working days from notification |  * Fast Track Escalation relating to Contracting Issues  |  |  |  |  | | --- | --- | --- | --- | | **Level** | **KCC** | **Supplier** | **Maximum Timescales** | | 3 | Senior Representative of KCC. | [XXXX] | Within[7] days | |

|  |
| --- |
| These contacts will need to be completed either during the Tendering / contracting period or between Contract Award and Contract Signature. |

**2.3 Safeguarding Vulnerable Adults (To be used in Care opportunities)**

|  |
| --- |
| * Suppliers must follow guidance issued by KCC under the Kent and Medway Safeguarding Vulnerable Adults Multi Agency Policies and Protocols.      * [**https://shareweb.kent.gov.uk/Documents/adult-Social-Services/adult-protection/adult-protection-policies-protocols-and-guidance.pdf**](https://shareweb.kent.gov.uk/Documents/adult-Social-Services/adult-protection/adult-protection-policies-protocols-and-guidance.pdf) |

**2.4 Variation Process**

|  |
| --- |
| This section is linked to the ‘KCC Model Terms and Conditions for Services – Clause 38   * This is the process of variation control (variation procedure) in order to ensure that the impact of proposed changes or new requirements and/or any other provisions of this Contract are understood and agreed before any changes take place. * A Variation request must be submitted to KCC’s Contract Manager in the case of a request by the Supplier and to the Suppliers Representative in the case of a request by KCC. * Either party may raise a Variation. All variations should where practicable be supported by additional information. Where a party requires additional information from the other party in order to complete the Variation Form then the other party shall respond to such request for additional information as soon as practicable and in any event shall use all reasonable endeavours to supply the necessary details within **48 hours**, or such other timescales, as may be agreed between the parties. * The minimum information required to be submitted on the CCCF is as follows: * Date of change request. * CCF Number and Contract Number * Name of party making change request * Date of proposed implementation of change request * If appropriate, changes to the specification,or any other aspect of this   Contract to be changed.   * Any changes to existing documentation or any new documentation that may be required. * A description of the change or the new requirement (as appropriate). * A justification for making the change. * Detailed cost implications. * Impact on exit plan * If necessary a description of any further impact analysis work to be undertaken together with anticipated time scales and costs, if any. * The description of the impact of the change and/ or new requirement (as appropriate) quantified in terms of input, timescales, performance and costs required from each party. |

**2.5 Measurement and Reporting**

|  |
| --- |
| Reporting is an output based tool that collates information from the service application.  Reporting must be used as an enabler for the outcome of continuous improvement, whilst maintaining an ongoing sustainable service.   * What should be reported on?   The same logic should be applied to this question as is applied to KPI’s, does it deliver value? If the report does not assist in creating the larger picture of the performance of the Supplier, then question why it is needed.   * How should you receive the reports?   Capture the information directly from the Supplier. If it is the case that there are a number Suppliers and they are required to complete the same data in the same format, then issue as an attachment to a webpage. If you have a single supplier it maybe be easier to send and respond via a dedicated email address. The media, in the case of the Council, is via Microsoft® Office, or.CSV.  A date for submission must be declared, which could also be a contract KPI regarding compliance.   * Which Methodology do you wish to apply?   Do you wish to receive data via a Qualitative or Quantitative method?  Qualitative: Associated with Subjective quality – a phenomenon in relation to feel, taste, truth, image, reputation. Even though these cannot be factually measure they can collect and display information for research, by observation and interpretation i.e. an opinion on a subject and levels of faith, in both cases in relation to a living environment.  Quantitative: Associated with an Objective quality – a phenomenon relating to an actual, factual, tangible observation i.e. how many components failed, how many staff left in February.   * What method do you wish to use? * Either one of these methodologies will give you data that can be used to report on, but to capture the full performance of the contract will require a mix of both. These KPI’s are sometimes categorised as key operational Indicators and key management indicators. Each indicator must reflect on of the methodologies. * How often do you wish to report?   This will depend on the criticality of the KPI to the Service. At the beginning of the Service reporting may need to be on a monthly or weekly basis, however, after data has been received and analysis carried out, this could change. Higher critical KPI’s are normally reported with greater frequency than lower critical KPI’s.  In the case of the Care Residential and Nursing Contract:   * The gathering and availability of reporting will be needed by KCC from commencement of the Contract, in line with Section 3.1 – KPI’s. KCC must reserve the right to request additional information, if required, during the period of the Contract. * Information in these Reports may be used by KCC to populate various information bulletins, papers etc., as seen appropriate for the benefit of KCC, its collaborative organisations and/or the Residents in Kent. * This information will be required as per Section 3.1. * The Quality Data will be made available to other Government organisations and operating partners for example: The Clinical Commissioning Groups, Care Quality Commission and the NHS. Information may also be required for issue under statutory legislation and for Public distribution, if deemed in the public interest and not in breach of Statutory Regulations i.e. Data Protection Act. * To whom should the reports be circulated?   The structure of reporting should be set up to ensure that copies are forward to the Contract Manager and staff that the designated by the Contract Manager.  What is the value of reporting?  By collecting information in a final report format it will not require extra time to re structure the information. If however the data is collected as an unformatted response it must be converted before forwarding. The collected information as a resource can be used to:  Trend performance  Forecast  Prove changes  Identify poor performance  Identify market leaders  How should performance reporting be reviewed?  For detail on the service in each reporting period, use the specific period information. When adding the information to a cumulative report review the last version, as this will show the most up to date picture of the improvement, decline or stagnation of that KPI measure.  By viewing information as a whole, reporting can be collated to show operational performance, with financial reporting, level of contract engagement, the market perception, compliance to statutory requirements, membership of trade associations etc.  **Reporting Schedule**  A schedule must be published to the Supplier(s) operating under the Contract, which will highlight the report and date / time of submission. This schedule must be issued annually, as a minimum. The schedule should be issued within 10 days of Contract commencement. |

**2.6. Business Continuity Plans**

|  |
| --- |
| Business Continuity plans are to document ‘what if’ situations. This must be treated as a Risk reduction tool and be included into the Contract Operations Manual. This information is usually gathered at a tender stage, but in any instance must be included into the final Contract / Agreement. |

**2.7 Sub-Contractors**

|  |
| --- |
| If a Sub-Contractor is appointed to service a requirement within this Contract the Supplier must be aware that this does not release the Supplier from any liability to KCC or a Contract User, in respect of the sub-contracted services. The Supplier shall be responsible for the acts, defaults, or neglect of any Sub-Contractor or their agents or employees in all respects as if they were the acts, defaults or neglects of the Supplier themselves, or their agents or employees.  The List of Sub-Contractors must be declared to KCC before commencement of the Service.  To ensure and deliver confidence to KCC, Sub-Contractors must be accredited by the Supplier. This normally takes the form of a Performance, Financial, and Legal review.  Using the 80 / 20 rule relating to progressive supply chain management (see section 3.5 – Supply Chains). KCC should monitor performances and engage with the Sub Contractors, with the participation of the Supplier.  It is advantageous to ensure that a formal operational process is applied by the Supplier to ensure that communication routes within the supply chain remain transparent. |

**2.8 Sanctions**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The escalation process will normally end in two ways:   1. A full reconciliation and service activity is resumed. 2. A service provided will be terminated.   The following example of a sanction process is used with the Residential and Nursing Contract:   * A Sanctions policy will be detailed in the Tender and/or Contract. The rational for this policy is to give an understandable method of dealing with the Supplier during the period after the threshold of the KPI’s has been reached.   E.g. A Traffic Light system of Green, Amber, and Red applies in relation to the Residential / Nursing Contracted Suppliers.   * This information will be made visible to the General Public and health and social care organisations via the Kent online Care Directory and when either an Amber or Red sanction is applied by KCC, Suppliers will be expected to place a notice within the relevant care home that a sanction is in place until such time as that sanction has been lifted.  |  |  | | --- | --- | | **Colour** | **Definition** | | Green | Supplier is operating within the acceptable levels of Performance and Quality | | Amber | The Supplier has been issued a Restriction Notice and is in the process of corrective action | | Red | The Supplier is under a suspension notice. | |

|  |
| --- |
| Suspension Process.   * There may be times when it is considered appropriate to place a temporary suspension or restriction on a Supplier where it is believed that there is serious risk to the health or wellbeing of people receiving a care service. * The decision to suspend or place restrictions on a Supplier should be initiated via the failure point of the associated KPI’s or by an ‘Event of Default’ against the Contract.   Reasons for a Temporary Suspension.     * There are a number of reasons which may influence a decision to place restrictions or conditions upon a Supplier including: * Concerns about abuse/risk to people receiving a care service * Persistent failure to comply with contractual requirements * Non-return of contractual Key Performance Indicators (KPIs) * Under performance issues identified via KPIs * Complaints (from people receiving a care service, cares/relatives, Case Management, Health, Advocacy organisations etc.) * Withdrawal of registration or intervention by the Care Quality Commission * Non-compliance with Care Quality Commission Essential Standards * Notices issued by the Care Quality Commission * Building emergencies * Sustainability of the service for financial reasons * Infectious/notifiable disease * Severe staffing/management crisis leaving people receiving a care service vulnerable   **NOTE:** SAFEGUARDING VULNERABLE ADULTS  If there is concern over abuse then the Multi-Agency Safeguarding Vulnerable Adults procedures must be followed and override other processes.   * Where concerns have been raised and an investigation is to be instigated a **RESTRICTION** will be placed on the Supplier(s) contract. * A **RESTRICTION** means that any potential new placements will need to be risk assessed to ensure that the concerns would have no detrimental effect on the person being placed. * If there are major grounds of concerns which prejudice the effective operation of the Supplier(s) or are so serious as to prejudice the Suppliers(s) future viability then a **SUSPENSION** may be placed on the contract. * A **SUSPENSION** means that no new placements will be made until sustained improvements have been evidenced. There may also be a need to risk assess all current placements to ensure their continued safety.   **NOTE:** SHORT TERM/RESPITE  When considering a **SUSPENSION** it will be determined whether short term/respite placements can proceed. Where short term/respite placements have already been planned, and where making alternative arrangements would be detrimental to the person receiving the service, permission may be given for the placement to proceed. This will be considered on a case by case basis.  Action to be Taken   * If there is professional concern about the quality of care provided, supported by the CM information, by a Supplier(s) which do not relate to the Safeguarding of Vulnerable Adults then Strategic Commissioning will place a **RESTRICTION** on the contract and convene a meeting with the Supplier to discuss and agree what action should be taken to rectify the issues of concern. This could be a multi-disciplinary meeting involving colleagues from Case Management, Health, CQC, Contract Manager and other key stakeholders. * Failure by the Supplier(s) to attend a meeting would be construed as obstructing the investigation and could lead to an escalation in the sanction applied. * Following a meeting with the Supplier(s), Strategic Commissioning will request that the Supplier(s) completes a ‘Service Improvement Plan’ identifying the actions to be taken to remedy any non-compliance issues, who is responsible for the actions and a timescale for completion. The ‘Service Improvement Plan’ will be regularly monitored by Strategic Commissioning through consultation with the Supplier(s) and may be shared with other relevant parties including Case Management, CQC and Health colleagues. A template ‘Service Improvement Plan’ will be issued to the Supplier(s). * If the actions are not completed or there are concerns such that there is continuing serious risk to people receiving a care service and/or financial or reputational risk to KCC, then a brief will be prepared for the Head of Strategic Commissioning and the relevant Assistant Director recommending a temporary suspension of the Supplier for an agreed period.   Strategic Commissioning / Contract Manager will continue to manage the relationship with the Supplier(s) until a decision is made to recommence placing with the Supplier(s) and will:   * Notify the Supplier(s) in writing of the decision to temporarily suspend placements with them, and * Agree a monitoring and review plan with agreed timescales with the Supplier(s)   It is also agreed that Strategic Commissioning / Contract Manager will notify the following of any temporary suspensions;     * Case Management Teams * Clinical Commissioning Group and other linked health personnel * Care Quality Commission * Other placing authorities * Payments   The Supplier(s) will be issued with a Notice which should be displayed on a Noticeboard within the home to inform residents and visitors that there is a **RESTRICTION** or **SUSPENSION** in place.  **NOTE:** PUBLIC INFORMATION  KCCs online care directory will identify Supplier(s) who have a **RESTRICTION** or **SUSPENSION** on their contract. This is a public facing directory and Supplier(s) may be asked for information regarding the contract sanction by people funding their own care or other Local Authorities.  Media Management   * KCC will be mindful of potential media interest in situations where suspensions/restrictions are imposed on Supplier(s), as this could result in distress for existing people receiving a care service and carers/relatives. KCC’s Press Office will in all cases be consulted before any comment is made to the Press.   Lifting or Temporary Suspensions   * Following review of the Supplier(s) progress in meeting the agreed targets in the ‘Service Improvement Plan’, if the actions required have been complied with then Strategic Commissioning / Contract Manager will recommend that the temporary suspension is lifted. Once this is agreed, it will be confirmed in writing with the Supplier(s) and all relevant parties. * If the Supplier(s) does not demonstrate on review that they have made progress on those matters which led to the suspension then further action will be undertaken. Continued lack of progress or a further escalation of concerns could lead to contract termination, which is the ultimate sanction that can be applied. |

**3. Management**

**3.1 Risk**

|  |
| --- |
| The concept of Risk must be managed within a contract and a structured method of management will considerably reduce costs to the Supplier and KCC.  A definition of Risk is:  An uncertainty of outcome, whether positive opportunity or negative threat. In the area of contract management, the term ‘management of risk’ incorporates all the activities required to identify and control risks that may have an impact on a contract being fulfilled. It is important to note that it is the responsibility of both parties to maintain the service, wherever possible.  In the case of Residential and Nursing, there are a number of risk areas that need to be recognised by the Contract Manager, for example:   * Safety of the Residents * Ensuring the business is financially secure * Training is appropriate and up to date * Services are covered by contractual agreements * Support staff are available to cover Holidays / Sickness / Leave * The method of communication used is correct for the requirement of the Contract * Performance is maintained and improved * Knowledge of the market is maintained * The assessment of proportionate and Risk Ownership.   Managing risk is an important aspect of managing service delivery.  The fulfilment of the contract may be endangered by poor management of Risk. Some  risks are within the control, some outside it. It is important identify of who is responsible for the areas of risk and controlling it.  In most cases a number of risks have been passed to the Supplier(s), however, there are some risks that cannot, i.e. the aspect of vulnerability and safety and the delivery of a statutory service must remain with KCC.  Risk is reduced by continual management and operational processes. Failure to monitor and take action to reduce risk increases the possibility of endangering service users and performance confidence.  Cost and Risk.  The greater the risks the greater the costs. A Supplier that owns an older care home may have to invest more in ongoing maintenance, to retain or reduce the risk, than an owner of a new care home, and the may also be more need for improvement to remain compliant with Health and safety changes and food preparation. An older home may not be as be as easily adaptable to Residents who have an ever increasing need to more levels of Care. So a financial, health and Safety, and flexibility risk exists.  Payment.  The payment of invoices and operating as a Gross payer, carries a risk for KCC of increased internal costs i.e. Staff to process unpaid contributions, Budget over spend, IT systems maintenance, Administration and Process Control.  Risk Reduction  Risk reduction can be achieved by improving Supplier Relationships, creating waste free processes, improving communications, having incentive based payment and performance objectives, being aware of the required contract outcomes, being suggested or included in training programmes, having understandable and achievable KPI’s, understanding the supply chain and managing appropriately, reduce the business risk by ensuring that turnover is not dependent on only one supplier, (an approximate level of 25% has been quoted).  KCC actively promotes the management of risk, as an organisation that accepts that risk is inevitable and can gain a financial advantage by the application of structured risk management.  The following link is supplied to give access to generic policies and supporting paperwork.   * <http://knet/ourcouncil/Pages/MG2-managing-risk.aspx> |

**3.2 Target Setting**

|  |
| --- |
| To ensure that the Contract is allowed to deliver its outcomes objectives need to be set for the Supplier. These objectives are used as Targets, which are monitored and measured. The outcome from the Target should either reflect reduced damage or a shared benefit. For example damage may be financial (reduction in profit) or a score towards an action point, which in turn relates to a liquidated damage or corrective action. A shared benefit may be in a saving / cost avoidance or increase business opportunities for the Contactor.  All Targets should be set up against a demonstrable baseline and be achievable.  Measurement can be against the Suppliers required development and performance, or compliance and Service User satisfaction.  Ongoing targets should be discussed and agreed with the Supplier and wherever possible, be output based. An input based target could improve delivery time at the detriment of Service Cost or Quality.  Targets should be ‘SMART’.   * Specific * Measurable * Achievable * Realistic * Timely   Prioritising target setting will deliver better value to the contract, if they are tested before suggesting to the Supplier i.e. small changes can deliver quick benefits, larger changes need to be phased and be given longer timescales. The assessment to success needs to be reviewed against more than on aspect i.e. the impact on overall implementation / exit and investment costs, service, resources, potential savings, delivery time, complexity.  All Targets are to be planned to achieve the outcomes of the Project and consequently the Outcomes of KCC.  The Target setting and Monitoring Sheet is attached in Appendix 4.13. |

3.3 CM Strategy

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| A CM Strategy is the plan of what is to be achieved across the life of the Contract.  A CM strategy must include:   * The overarching corporate outcomes and objectives. * The strategic positioning for the contract (its potential impact potential to the Outcomes and objectives. * The Contracts outcomes, objectives, outputs and inputs. * The tactical delivery method. * The methodology of measurement * Method of analysis * The approach to the level of management required * Collaboration and co-operation * Communication, methodology and method * Information and its format * Social Value * Market Knowledge * Cost Reduction * Governance * Supply Chains     The CM Strategy document is highlighted in Appendix 4.9.  Strategy Tools:  To be able to create the Strategy a number of Strategic Tools have to be applied:  In the case of Residential / Nursing Contracts a PESTEL has been used. This allows for various aspects that reflect the environment that this contract will be operating in.  PESTEL  **Pestel** is a Strategic Tool used to review the impact on and status of the Market that relates to the requirement and future tactical delivery models.  Political, Economic, Social, Technological, Environmental and Legal.   |  |  |  | | --- | --- | --- | | Political:   * Introduction of change to Suppliers * Reduction in Third Party Top Ups (TPTU) * Reduction in profits for Care homes * Increased collaboration / co-operation with other public organisations * Reduction in costs | Economic:   * Commercial awareness * More sustainable businesses * Reduced public sector expenditure * Reduced TPTU * Improvements to purchase to pay process. | Social:   * Increase quality of care * Longer life * Quicker placement * Better choice options * Ability to live within a chosen area. | | Technology:   * Use of a DPS system * Better statistics * Better informed decisions * Requirement for a consolidate software application * User friendly * Cost negative | Environmental:   * Less travel by Commissioning Officers * Greater use of Technology has a negative impact on energy use | Legal:   * More than one Contract in place * Compliance with the Care Act 2014 * Acceptance and understanding of the new T&C’s. * Ensuring application. |   Other alternatives are highlighted in Appendix 4.9 |

3.4 Supplier Relationship Management (SRM)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| SRM and CRM are the two sides of the communication coin. SRM deals with the Suppliers and CRM deals with the Customers.  For a Contract Manager to succeed both sides of the Supply chain need to be managed and monitored.  Definition of SRM:  Supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organisations that supply the goods and services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers.  Definition of CRM:  Customer relationship management ([CRM](http://searchcrm.techtarget.com/definition/CRM)) is intended to streamline and make more effective the processes between an [enterprise](http://searchwinit.techtarget.com/definition/enterprise) and its customers.  *Rouse, M, .2015, TechTarget.com.*  SRM can deliver a structure to communication, but to enable the relationship to deliver benefit will require the Supplier and KCC to have commonality relating to the following concept:  There are four key concepts to enable a successful relationship with the Supplier:  Trust  Communication  mutual and individual aims and aspirations  Contract Administration.  **Trust**  The concept of trust assists the relationship to develop and remain sustainable. Trust will influence the decisions that are made by the Supplier and KCC such as:   * Belief in information received * Confidence in a judgement * Trusting the other party to deliver something that has been agreed * Trusting in the payment for a service, within timescales agreed * Reducing costs, due to lower risks   A lack of Trust or mistrust can hinder any development and value being achieved during the operation of the contract.  **Communication**  There three main levels of communication   * Operational – This is the process where operational staff at KCC and the Supplier monitors the contract, deliver reporting, ensure compliance and relay regular supporting information / clarity on the contractual requirements. The method of communication is normally electronic. * Tactical - This is the process of day to day contract management, variation, monitoring, target setting, risk aversion, cost reduction etc. Communication is electronic, but also verbal and collaborative. * Strategic – this is the process of generating maximum value from the contract, by encouraging development, collaboration, co-operation, application and mutual organisational direction.   Clear and concise communication is the backbone of the contract that enables the delivery of successful outcomes and objectives. The contract communications log can aid towards a quick resolution and support future discussions and decisions.  Communications ensure visibility of the supply chain and allow informed judgements to be made, relating to the business operation and controls required.  **Recognition of mutual and individual aims.**  Not all organisations have the same aims, but this does not need to restrict the successful outcome to a contract. Before the award of a contract there will have been a process that will include the understanding, by both parties, of what the organisations wish to achieve. An alignment and commonality of aims (or goals) are the building blocks for a rewarding relationship. A common outcome i.e. ‘to ensure that older people have a safe and full filling life’ can be fulfilled by both parties, but one party’s goal may be ‘to remain a sustainable business offering a safe, comfortable and flexible service for older people’ and the other party may be to ‘ensure that older people have the best level of care, within a safe environment, available, within an allocated budget’.  Supplier Relationships, that need to have this strategic alignment, must retain an environment of regular information sharing and business strategy awareness to remain a creditable delivery mechanism for the Requirement.  **Contract Administration**  The importance of contract administration to the success of the contract, and to  the relationship between customer and Supplier should not be underestimated.  Clear administrative procedures ensure that all parties to the contract understand  who does what, when, and how?  This will require the collation, analysis and delivery of performance reporting, storage and maintenance of records, the supply of information, arrangement of meetings, agenda, circulation of minutes, management of the Escalation routes, procedures, work instructions, access to contractual documentation etc.  **Contract Structure**  Depending on the structure of the contract, See attached models; there may be a requirement for a Partnering board or Management Steering Group.  If a Contract has numerous partners, or interested parties, has a potential as a strategic influencer, a high environmental, people based or an economic impact then a Partnering Board may be appropriate. The representation on this Group will normally comprise of both parties plus stakeholders. This board normally meets 2> 3 times per year and discusses strategic issues in regards to the relationship, makes joint decisions relating to the Contract and the Relationship. If a Contract is a high value, high risk, politically sensitive, high investment or Capital cost or high user of Resources, then a management Steering Group may be required.  The following diagram portrays Risk and Value in its relation to Structure; before a Contract is structured a profile needs to be identified. Using this tool a pre-determined approach to structure can be achieved.  **Supplier Positioning:** Med Management Strategic  High Relationship  Med Relationship High Management  Med Management High Relationship   |  |  |  |  | | --- | --- | --- | --- | |  |  |  |  | |  |  |  |  |   Med Management High  Low Relationship  RISK  Med  Light Process  Low  £50k £100k £500k £1m £5>m (VALUE)  Key:   |  |  | | --- | --- | | Approach | Description | | Light Process | A light process is normally applied to an ‘off the shelf purchase or a proven service, with low impact on KCC Services. | | Med Management  Low Relationship | A higher risk of failure i.e. new service or bespoke products. Reasonable impact on the delivery of KCC Services. | | Med Management  Med Relationship | This could be a service that requires on site changes which may impact on KCC staff or the general public. Reasonable impact on KCC services | | Med Management and High Relationship | This may be a service that has an impact in more than one location, a start-up business or charity. Higher than medium impact on KCC services. | | High Management and High Relationship | Needs a contract strategy. Needs to be reported to Procurement Board, high level of KCC staff involvement, has a Strategic Project Board. Higher costs reflect more profile on spend. | | Strategic | High political impact, New systems of building works, high impact on KCC employees and the Public, high accountability, high collaboration or co-operation. |   **Proportionate Management and Control:**  The application of SRM does not only address the value of the Contract to the organisation, but also the value of the Supplier to the organisation. It may be that a Supplier delivers a residential service that has an excellent contract record and are looking to increase its business level with KCC. KCC has a longer term objective of fewer homes but larger resident capacity. This Supplier may be able to realign its strategy to assist in delivering KCC outcomes. This could then justify more interaction and assistance to start to development not only of the market, but also the Suppliers in that market. This Supplier may be extremely useful to KCC.  The SRM facilitates the approach to managing the delivery of the existing Supplier base, and preparing markets and Suppliers to deliver future outcomes.  SRM allows spend to be monitored to highlight the Suppliers that command greater spend with KCC. The aggregation od spend can deliver further savings, but if the spend is in none related areas the Supplier may not show an appetite for this type of cost reduction approach.  *Further reading: Supply Relationship Management, How to maximise Vendor Value and Opportunity. Schuh, C, et al 2014, A.T.Kearney Inc, ISBN–13-978-1-4302-6259-6.* |

3.5 Supply Chains

|  |
| --- |
| All Services, Products, Utilities, Works are influenced by Supply chains,  Supply chains are both up and down hill and KCC and can prove to be a major influence on the sustainability of the market and the Service.  For example:  An Older Persons Care Home business makes an income by supplying a service to a market that comprises of older persons. Business levels are dependent on a supply of older persons, who want to live at that home. Fact: More people will remain in their own homes.  This will increase in the amount of Telecare / Telehealth type services with an increase in the Service Providers to supply the need. An increase in preventative Services (Telecare, Telehealth) will increase the age of persons needing Residential / Nursing Care. Persons of an older age may by nature have a greater need for equipment, to maintain the safety at the home and more visiting support staff. The aging population residing in their own and care homes could increase the requirement for Doctor call- outs to both the individual residences and the Care homes. The level of services provided by Care homes will need to reflect the older population, which will reduce the existing type Residential home by demanding a potentially more specialist resource and capital cost environment.  The example above gives a Scenario that shows how supply chains are interlinked. Supply Chains are vulnerable, the longer they are the more difficult they are to manage. To increase value and rescue cost reduce the Supply chain, as much as financially and physically possible. Increase the visibility of the supply chain, early knowledge will allow for corrective action to take place. A method of increasing this visibility and management is to employ progressive Supply chain management, where first stage suppliers are managed 80% and Secondary Suppliers are managed 20%, of the time / Resource available.  Internal supply chains also need to be managed as they may have a high level of process waste. An application to reduce internal Supply chains is be applying the ‘Lean’ approach. |

3.6 CM and the Contract Structure

|  |
| --- |
| The structure of the Contract will depend on the aspects detailed in 3.5. A contract of low value, short supply chain, established service or mass produced item or many suppliers will require minimal management. An opposite approach will need to be applied to a contract that demonstrates the opposite characteristics.  This will need to be addressed as early as possible, to ensure that the CM strategy is representative of the outcomes.  The Contract Manager is the key to all that happens during the CM lifecycle. There must be a contingency plan in place to ensure that if anything happens that should effect the management of the contract delivery, a supporting action, or structure, has been agreed and documented. The contract delivery must not depend on the knowledge, skill or personality of one person. Weaknesses to the structure need to be managed out.  A Risk Analysis must include corrective actions to support a failure of the operational control and/or the removal of a key contract staff member. |

3.7 Value Testing

|  |
| --- |
| During a Contract lifecycle Value Testing of the Contract needs to be undertaken. This will be compared to either industrial averages, Peer information or locally set bench marked start points.  Value is a concept which can be measured continually, at regular intervals, or by spot audits. The measurement of performance i.e. by the use of KPI’s, Targets, Marker rates, Resource utilisation and national statistics.  Value means different things to different people. In this case Value is defined as:  The best possible service, at the minimal cost that satisfies the required Quality. |

3.8 Auditing

|  |
| --- |
| The contract administration structure must allow an Audit to be carried out ,as a minimum within 12 months of the Contract commencement in specific areas including:   * to verify the accuracy of any changes that become due and payable by KCC to the Supplier, in respect of the Services, proposed or actual variations to them, in accordance with the Contract, or the costs of all Suppliers of the Services; * to review the integrity, confidentiality and security of Council Data; * to review the Suppliers compliance with Council Policy, and relevant legislation including the Data Protection Act, Freedom of Information Act and other Law applicable to the Services; * to review the Suppliers compliance with its obligations under the Contract; * to review any related records created during the provision of the Services; * to review any books of account kept by the Supplier in connection with the provision of the Services; * to verify the accuracy and completeness of any management information delivered or required by this Contract. |

3.9 Documentation and Governance

|  |
| --- |
| In the case of Residential / Nursing the following paperwork is required to be kept by the Supplier and KCC. This will vary, depending on the application and Legal requirement, but should follow this format:  The Supplier and KCC shall keep and maintain for the period of 6 yrs ,if signed underhand, or 12 years, signed under seal, starting from the last day of the contract, full and accurate records of the Contract, including:   * the Services supplied under it * all expenditure reimbursed by KCC * all payments and reimbursed payments made by KCC.   The Supplier shall on request afford KCC or KCC’s representatives, such access to all relevant records as may be requested by KCC in connection with the Contract over the stated period. These records include but are not exclusive to, all policies, procedures and the following:   * Financial Advice Notice (FAN) - The form issued by KCC that triggers the first payment to the Supplier. The form confirms the individual placement contract price. * Care and Support Plan - The plan produced by the Case Manager that gives particulars of the intended outcomes for the Client meeting including his or her needs which are required to be delivered. * Referral Form - The initial form the Supplier will receive to enable participation in the individual placement contract. * Health and Medication Records   During the Contract period the Contract Manager may require other documentation to be made available, including:   * CCCF’s * Savings * Escalation and Suspension records |

3.10. Health and Safety

|  |
| --- |
| Health and safety management in relation to the commissioning process is separated into three key stages:  **SPECIFY** a safe contract, which facilitates monitoring and reporting and has scope for modifications   * What lessons have we learnt before? * Complete an initial H&S Risk assessment? * What are the reporting requirements? * How will they be received and actioned? * Has a H&S manager been notified? Are there and statutory requirements to be compliant with? * What records need to be kept and for how long? * What sanctions are required? * Ensure that Conditions reflect the ability to remove a Supplier, under suspension, while investigation is undertaken. * Ensure that the Conditions allow for replacement Suppliers to be engaged, at the cost of the Contracted Supplier, if under suspension.   **SELECT** a suitable Supplier who can deliver a safe and healthy contract – based on their history, management systems, competence, forth coming solutions and suggestions for the contract. etc.   * CM needs to ensure that the elements highlighted in the Tender or agreement documentation will be able to be measured. * Suitable records and logs are kept relating to: i.e. method statements, working practises, accidents, near misses, chemical storage, mechanical handling equipment certification, personnel training and working environments. * What targets are to be applied to the Supplier? * Review H&S incentives * If a shared service is being provided, who has the responsibility for H&S * Are the Supplier and KCC going to carry out induction to the Contract meetings with its staff?   **MONITOR, MANAGE and REVIEW** health and safety performance throughout the contract, with ability to be proactive and /or take corrective and punitive action, if necessary   * Ensure that reporting schedules are in place. * Clarify the responsible Council staff member for H&S reporting and front line contact. * Carry out site visits, arranged and spot. * Ensure sanctions are applied.   Maintain accessibility to records to be used at the lessons learned debrief or at point of contract review. |

3.11 Application of Contract Management inline with Procurement Contracts Regulations 2015 (PCR 2015)

|  |
| --- |
| The PCR 2015 makes specific reference to the CM of contracts that have been let using the this directive.  **Subcontracting**  *Giving information to contracting authorities*  **71.**— (1) In the procurement documents, the contracting authority may ask the tenderer to indicate in its tender any share of the contract that it may intend to subcontract to third parties and any proposed subcontractors.  (2) Paragraph (1) is without prejudice to the main contractor’s liability.  (3) In the case of works contracts and in respect of services to be provided as a facility under the direct oversight of the contracting authority, after the award of the contract and at the latest when the performance of the contract commences, the contracting authority shall require the main contractor to notify to the contracting authority the name, contact details and legal representatives of its subcontractors, involved in such works or services, in so far as known at the time.  (4) The contracting authority shall require the main contractor to notify the contracting authority of—  (a) any changes to the information notified under paragraph (3) during the course of the contract; and  (b) the name, contact details and legal representatives of any new subcontractors which the main contractor subsequently involves in such works or services.  (5) Where necessary for the purposes of paragraph (8), the required information shall be accompanied by ESPDs in respect of the subcontractors.  (6) Paragraphs (3) and (4) do not apply to suppliers.  (7) Contracting authorities may extend the obligations provided for in paragraphs (3) and (4) to, for example—  (a) supply contracts, services contracts (other than those concerning services to be provided at the facilities under the direct oversight of the contracting authority) or suppliers involved in works or services contracts;  (b) subcontractors of the main contractor’s subcontractors or subcontractors further down the subcontracting chain.  *Excluding subcontractors*  (8) Contracting authorities may, in accordance with regulations 59, 60 and 61, verify whether there are grounds for exclusion of subcontractors under regulation 57.  (9) In such cases, the contracting authority—  (a) shall require that the economic operator replaces a subcontractor in respect of which the verification has shown that there are compulsory grounds for exclusion; and  (b) may require that the economic operator replaces a subcontractor in respect of which the verification has shown that there are non-compulsory grounds for exclusion.  **Modification of contracts during their term**  **72.**— (1) Contracts and framework agreements may be modified without a new procurement procedure in accordance with this Part in any of the following cases:—  (a) where the modifications, irrespective of their monetary value, have been provided for in the initial procurement documents in clear, precise and unequivocal review clauses, which may include price revision clauses or options, provided that such clauses—  (i) state the scope and nature of possible modifications or options as well as the conditions under which they may be used, and  (ii) do not provide for modifications or options that would alter the overall nature of the contract or the framework agreement;  (b) for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor—  (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, or  (ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority,  provided that any increase in price does not exceed 50% of the value of the original contract;  (c) where all of the following conditions are fulfilled:—  (i) the need for modification has been brought about by circumstances which a diligent contracting authority could not have foreseen;  (ii) the modification does not alter the overall nature of the contract;  (iii) any increase in price does not exceed 50% of the value of the original contract or framework agreement.  (d) where a new contractor replaces the one to which the contracting authority had initially awarded the contract as a consequence of—  (i) an unequivocal review clause or option in conformity with sub-paragraph (a), or  (ii) universal or partial succession into the position of the initial contractor, following corporate restructuring, including takeover, merger, acquisition or insolvency, of another economic operator that fulfils the criteria for qualitative selection initially established, provided that this does not entail other substantial modifications to the contract and is not aimed at circumventing the application of this Part;  (e) where the modifications, irrespective of their value, are not substantial within the meaning of paragraph (8); or  (f) where paragraph (5) applies.  (2) Where several successive modifications are made:—  (a) the limitations imposed by the proviso at the end of paragraph (1)(b) and by paragraph (c)(iii) shall apply to the value of each modification; and  (b) such successive modifications shall not be aimed at circumventing this Part.  (3) Contracting authorities which have modified a contract in either of the cases described in paragraph (1)(b) and (c) shall send a notice to that effect, in accordance with regulation 51, for publication.  (4) Such a notice shall contain the information set out in part G of Annex 5 to the Public Contracts Directive.  (5) This paragraph applies where the value of the modification is below both of the following values:—  (a) the relevant threshold mentioned in regulation 5, and 70  (b) 10% of the initial contract value for service and supply contracts and 15% of the initial contract value for works contracts, provided that the modification does not alter the overall nature of the contract or framework agreement.  (6) For the purposes of paragraph (5), where several successive modifications are made, the value shall be the net cumulative value of the successive modifications.  (7) For the purpose of the calculation of—  (a) the price mentioned in paragraph (1)(b) and (c), and  (b) the values mentioned in paragraph (5)(b),  the updated figure shall be the reference figure when the contract includes an indexation clause.  (8) A modification of a contract or a framework agreement during its term shall be considered substantial for the purposes of paragraph (1)(e) where one or more of the following conditions is met:—  (a) the modification renders the contract or the framework agreement materially different in character from the one initially concluded;  (b) the modification introduces conditions which, had they been part of the initial procurement procedure, would have—  (i) allowed for the admission of other candidates than those initially selected,  (ii) allowed for the acceptance of a tender other than that originally accepted, or  (iii) attracted additional participants in the procurement procedure;  (c) the modification changes the economic balance of the contract or the framework agreement in favour of the contractor in a manner which was not provided for in the initial contract or framework agreement;  (d) the modification extends the scope of the contract or framework agreement considerably;  (e) a new contractor replaces the one to which the contracting authority had initially awarded the contract in cases other than those provided for in paragraph (1)(d).  (9) A new procurement procedure in accordance with this Part shall be required for modifications of the provisions of a public contract or a framework agreement during its term other than those provided for in this regulation.  **Termination of contracts**  **73.**— (1) Contracting authorities shall ensure that every public contract which they award contains provisions enabling the contracting authority to terminate the contract where—  (a) the contract has been subject to a substantial modification which would have required a new procurement procedure in accordance with regulation 72(9);  (b) the contractor has, at the time of contract award, been in one of the situations referred to in regulation 57(1), including as a result of the application of regulation 57(2), and should therefore have been excluded from the procurement procedure; or  (c) the contract should not have been awarded to the contractor in view of a serious infringement of the obligations under the Treaties and the Public Contracts Directive that has been declared by the Court of Justice of the European Union in a procedure under Article 258 of TFEU.  (2) Those provisions may address the basis on which the power is to be exercisable in those circumstances, for example by providing for notice of termination to be given and by addressing consequential matters that will or might arise from the termination.  (3) To the extent that a public contract does not contain provisions enabling the contracting authority to terminate the contract on any of the grounds mentioned in paragraph (1), a power for the contracting authority to do so on giving reasonable notice to the contractor shall be an implied term of that contract.  Extract from the *‘PCR,2015,.* [*www.legislation.gov.uk*](http://www.legislation.gov.uk) *‘* |

3.12 Financial Management

|  |
| --- |
| **Financial Management.**  The following section is to allow the Contract Manager to understand that financial management has a fundamental impact on the health of the contract and the relationship used to deliver the requirement.  A contracts finance understanding is required as part of Contract Management, relating to:   * The Financial stability of the Supplier * Budget Monitoring * Income   Financial management is a tool that assists with and answers questions relating to Risk Management.  **The Financial stability of the Supplier**  In terms of financial risk, the intention is to ensure that the recipient of KCC’s contract remains financially sound and viable throughout the duration of the contract and in the case of civil works, for an extended liability period of up to 12 years. Whilst the organisation would have been financially vetted as part of the tender process, situations can change as companies experience financial difficulty or failure during the contracted period, hence the need for regular review of the organisation’s accounts.  Financial ratios can be employed to assess the financial strength of the organisation. Be aware that the result should be interpreted within the context of the industry sector that the contractor operates within.  The financial ratios to be analysed are as follows:   * Liquidity ratios – these assesses the ability of an organisation to pay its debts as and when they fall due. Liquidity is often assessed using current ratio or quick ratio. * Current ratio is simply current assets divided by current liabilities:   Current ratio = Current assets  Current liabilities  Current ratio gives an indication of the company’s margin of safety i.e. what proportion of its current assets is readily available to meet its current liabilities. As a rule of thumb, a current ratio greater than ‘1’ is considered to be good.   * Working Capital is an indicator as to the ability to meet current obligations.   Working Capital = Current Assets – Current Liabilities  If a company has the same current assets as current liabilities it will show an inability to cover payments on time.   * Quick ratio is similar to similar to current ratio but focuses on the most liquid current assets   Quick ratio (acid Test) = Current assets – stock - prepayments  Current liabilities  The Quick ratio measures the ability of the most liquid assets to cover current liabilities. A higher ratio indicates a better position to cover current liabilities.   * Gearing ratio - The gearing ratio measures the proportion of a company's borrowed funds to its equity. The ratio indicates the financial risk to which a business is subjected, since excessive debt can lead to financial difficulties. A high gearing ratio represents a high proportion of debt to equity, and a low gearing ratio represents a low proportion of debt to equity. * Gearing = Long-term debt + Short-term debt + Bank overdrafts   Shareholders’ equity  Gearing ratio of below 50% is assumed to be less risky.   * Profitability - Involves assessment of an organisations ability to generate earnings as compared to its expenses and other relevant costs. In simple terms, it is total revenue less total cost. * Profit = Total Revenue – Total Cost   Net profit margin measures how much out of every pound of sales a company actually keeps in earnings expressed as a percentage.   * Net profit margin = Net profit X 100   Sales  It should be noted that whilst profitability is often a good measure of a company’s financial health, it is not a blunt instrument as viable/healthy companies may make consecutive losses for several valid reasons e.g. restructuring, new product development etc.  **Budget Monitoring**  Contract management staff will be expected to monitor the contract to:   * Ensure opportunities and savings are maximized. * The contracting with third-party organisations delivers minimal risks, as well as opportunities.   It is essential for the Contract Manager to ensure that performance and cost is maintained to plan. For most contracts, the budget would be fixed, at least annually, there would be agreed terms and dates for payment, which would often be based on the performance of the Contractor. The budget monitoring / management for this sort of contracts is pretty straightforward.  For instance a cleaning contract for a building is set at £100,000 per annum and the payment terms are set at equal quarterly payments in arrears. In this situation, the contract manager if satisfied that the vendor is compliant with the KPI’s for the contract. Payment would be made at £25,000 at the end of each quarter. A variation to this cost would only be applied if a payment mechanism is being applied. In this case the monthly invoice could be influenced by an invoice reduction affected by a service credit, caused by:   * a KPI defect. * a default to contract * a Service reduction   Another form of contract is demand-led, where predicting quantity can be challenging and the cost of contract can vary significantly based on events. E.g. purchase of residential care and domiciliary care services.  Although the service would have a budget, because it is demand-led there is the tendency for either underspend or overspend. Also events such as a cold winter could trigger an increase in residential or nursing care beds purchased. Managing the budget for demand-led services requires careful planning and monitoring by the Contract Manager.  The Contract Manager would be expected to:   * Profile budget * Forecast and monitor spend * Understand any market movement and variances   **Profile Budget**  Budget profiling is a practice to match the annual budget to spending pattern during the year. It forms the basis for monthly forecasting. There are several methods of profiling budget:   * **commitment** – which is based on maintaining records of commitment as they are made; * **past expenditure trends**, **incremental** – which is merely adjusting previous year’s outturn for inflation and planned changes; * **activity** – number of units multiplied by unit cost.   **Forecast and Monitor Spend**  When entering into a call down contract, where a commitment has been made and hence a cancellation charge would apply, usage against budget becomes extremely important. Market trends need to be monitored and knowledge of the supply chain applied, to ensure that the commitment is a realistic procurement. This practise can prove to be cost beneficial as services and products can be bought out of season usually at a discounted rate. This can work against the budget if the, for example, the capacity is not utilised or the need out strips the capacity procured. This type contract requires a quantity to be multiplied with the unit price in order to arrive at the forecast spend and hence budget level.  Once the contract becomes operational, the contract manager has a duty to monitor the actual spend against the forecast spend. The intention is to ensure that the actual spend falls within the budget set. This will include any savings required.  The Contract Manager is expected as part of his/her budget monitoring duties to:   * **review** the actuals that have been charged to their budget in previous periods; * **investigate** anything unexpected; * **consider** how changes in service, policy or funding are likely to affect spend or income; * **Update** forecast for the remainder of contract period or financial year; * **explain** any significant forecast overspend or underspend.   **Understanding your market**  The Contract Manager, in fulfilling his/her budget monitoring duties should seek to understand the reason(s) for any variance against the set budget. There are often underlying reasons why budget variances arise. For instance the cost of domiciliary care services might be reduced during the Xmas period either due to clients being admitted into hospital as a result of a cold winter or due to clients spending Xmas with family members.  Understanding the rationale for the variance helps a Contract Manager to plan appropriate measures and realign budget. These measures may be the practises used for ongoing placements, operational data reviews, improved supply chain visibility, improved market understanding, trends and forecasting methods, market engagement and re-negotiated long and short term requirements.  **Income**  In some cases contracts maybe let in a way that result in the generation of an income. These contracts will need to managed in the same way as a charged service, however, the income rate will need to be set up to reflect the nature of the market i.e. precious metals change daily where the lease of a building can be fixed for the year. The fundamental change is that the monitoring of the pricing mechanism will need to have accurate real-time information and an invoice will need to be sent to the contractor utilising an income budget code, rather than an expenditure code. |

**4. Standard Documentation**

The following documentation must be used as standard documents. By ensuring that these are used will improve recognition, ensure information is distributed or gathered in a standard format. Each project may have a need for bespoking these documents but they should all be based on these originals.

Note! The Conditions will need to be added to the ‘Contact Operations Manual’.

|  |  |  |
| --- | --- | --- |
| Document Number | Description | File Link |
| 1 | Variation Form | [Variation Form](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Variation%20Form.docx) |
| 2 | Risk Register | [Risk Register](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Risk%20Register%20Sheet.xlsx) |
| 3 | Risk Management Policy | [Risk Management Policy](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Risk%20Management%20Policy.docx) |
| 4 | Performance Monitoring and Management | [Performance - Monitoring and Management](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Performance%20Monitoring%20and%20Management.docx) |
| 5 | Meeting Agenda | [Meeting Agenda](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Meeting%20Agenda.docx) |
| 6 | Contract Conditions | [Contract Conditions of Service](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Model%20Terms%20and%20Conditions%20for%20Services.doc) |
| 7 | Audit Logs | [Audit Logs](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Audit%20Logs.docx) |
| 8 | Contract Management Strategy | [CM Strategy](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/CM%20Strategy.docx) |
| 9 | Contract Operations Manual | [Contract Operations Manual](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Contracts%20Operations%20Manual.docx) |
| 10 | Exit Strategy | [Exit Strategy](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Exit%20Strategy.docx) |
| 11 | Procurement Plan | [Draft - Procurement Plan](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Procurement%20Plan.docx) |
| 12 | Improvements and Value Tracker | [Improvements and Value Tracker](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Improvements%20and%20Value%20tracker.xlsx) |
| 13 | Benchmarking | [BenchMarking](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Benchmarking.docx) |
| 14 | Reporting Log | [Reporting Log](http://kccbusiness/sites/FandP/ApprovedDocs/SSP%20Documents/Reporting%20log.docx) |
| 15 | Meeting Scheduler | [Meeting Scheduler](file://kccbusiness/DavWWWRoot/sites/FandP/ApprovedDocs/SSP%20Documents/Meeting%20Date%20Schedule.docx) |

Contact:

If you require and assistance please contact:

Paul Richardson – Procurement Manager 03000 (416611).