



# Managing Contractors Sheffield City Council's Approach

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**Sheffield** *where everyone matters*



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# Commercial Services role

"To provide strategic leadership, direction, innovation and control across the full range of the council's procurement, commercial, contract and supplier management activities in order to deliver value for money and efficiency improvements, whilst ensuring continuity and quality of supply"

Policy decision - all procurement and strategic contract management to be carried out by Commercial Services.

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## Key Statistics:

- £700 million per annum external commercial spend
- £260 million of above with small number of strategic partners (£327 million by 2011)
- C£60m on Housing Repairs & Maintenance
- Recent savings made across external commercial spend areas:
  - 2007/8 - £2.8m
  - 2008/9 - £7.8m
  - 2009/10 - £11.6m
  - 2010/11 - £17.2m

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# Intelligent Client Model Approach

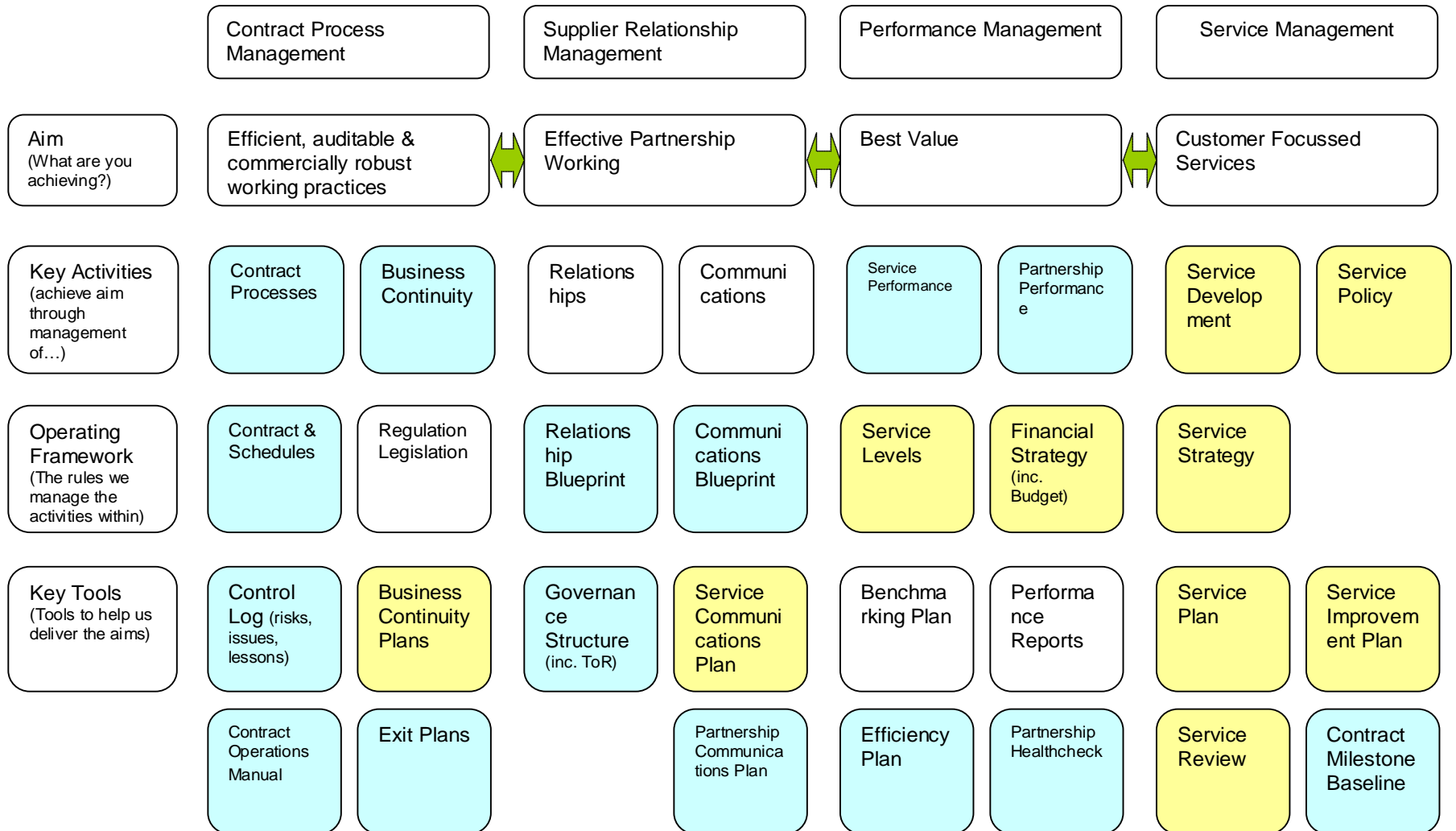
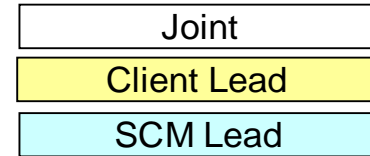
- Central Government and Sheffield Council recognition that contract management is, in general, poorly understood, under resourced and with a lack of expertise
- The Intelligent Client approach has been developed to ensure that we get the very best from our commercial relationships in terms of value for money, service delivery and risk management
- The Intelligent Client approach applies in full across all major contracts and the principles apply across all commercial arrangements

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# Key Functions of Intelligent Client

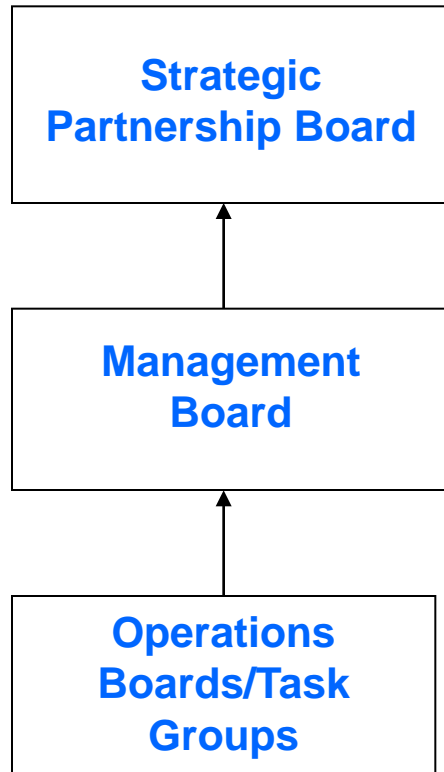
- 2 separate functions operating together, within clear governance arrangements, to effectively manage the contract to achieve effective partnership, robust commercial decisions and best value
- **Service Client leads on:**
  - Policy, Strategy & Planning
  - Service Development & Business Requirements
  - Technical & Service Assurance
- **Strategic Contract Management leads on:**
  - Contract Performance Management
  - Contract Process Management
  - Strategic Relationship Management

# IC Model in Action



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# Intelligent Client Governance Structure



- Overall Direction
  - Strategy & Plans
  - Relationship/Values
  - Typically quarterly
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- Service Delivery
  - Performance Management
  - Change & Risk Management
  - Typically monthly
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- Day to day joint working
  - Driving continuous improvement
  - Dealing jointly with issues

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# Strategic Contract Management

Focus on the following:-

1. Performance Management
2. Contract Process Management
3. Supplier Relationship Management

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# 1. Performance Management

- Understand the contract specification
  - know what needs to be delivered, by who, by when and at what cost
  - agree how this will be achieved e.g. use of the IC Model etc
- Check the contractor/partners understanding of the specification
  - get on the same page!
- Set the ground rules/boundaries early in the relationship – trust (either way) isn't a right; it needs to be earned
- Seek out and apply current best practice initiatives

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# 1. Performance Management

- Devise, develop and continually review KPI's to ensure the targets are meaningful and drives service improvement
- Link Performance to Payment
  - apply financial defaults as appropriate
- Introduce performance reporting tools
  - Need to strike the right balance when requesting management information
  - Contractor/Partner responsible for providing data for scrutiny by client
- Conduct regular benchmarking of performance and price by engaging reputable organisations within the sector e.g. APSE / Efficiency North / BCIS / CIPFA etc.....

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## 2. Contract Process Management

- Introduce best practice contract processes that cover :-
  - Governance arrangements (see slide 7)
  - Payment - validation and invoice process
  - Variation control
  - Dispute Resolution
  - Risk Management (Risks & Issues Log)
  - Business Continuity Planning
  - Document Management
  - Exit Management Strategies

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# 3. Supplier Relationship Management

- Establish and maintain the required relationships, values and objectives and build these into all working relationships between employer and the provider
- Devise an effective communications strategy to share information, promote innovation and celebrate any success
- Carry out periodic surveys to test the perceptions of each stakeholder and measure the health of the contract or partnership

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# Other key considerations

1. Value for Money/Financial Controls
2. Controlling Risk
3. Customer Satisfaction
4. Health & Safety Compliance

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# 1. Value for Money/Financial controls

- On long term contracts, regularly test VFM through benchmarking etc
- The contract agreement should incentivise the provider to generate efficiency/financial savings.
- Contract Managers must fully understand the contract in order to competently challenge invalid claims
- Advocate the use of a 'Statement of Account'- this is a statement of intended charges supported by evidence of successful service delivery. Once the payment level is agreed an order is raised against which the provider supplies an invoice. This method removes disputed invoices and speeds up the payment process

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## 2. Controlling Risk

- Introduce a Risk & Issues log
- Maintain a 'lessons learned' log
- Emergency Plans and Business Continuity Arrangements:
  - Robust?
  - Test and review regularly
- Monthly checklists:
  - Contractual and statutory responsibilities
  - Contractor & Client obligations and actions
  - Monitor performance against objectives.

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# 3. Customer Satisfaction

- Customer satisfaction must be a primary, easily measurable KPI
- Be clear who the customer(s) are;
  - Internal?
  - External?
  - End user?
  - Other stakeholders?
- Collect customer satisfaction data via the provider BUT carry out regular independent validation of the customer perception
- Make best use of any feedback received to drive service improvements

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## 4. Health & Safety Compliance

- The appointed contractor/partner would have been required to satisfy all of the usual criteria for managing Health & Safety at the PQQ stage.
- High level Safety KPI's should be an integral feature of any contract.
- Contract Management should not rely on the contractors H&S reports - regular inspection/audit the providers arrangements will be necessary.

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## Key Contacts

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