

30th March 2017**Agenda Item: 8**

REPORT OF DIRECTOR OF PUBLIC HEALTH PUBLIC HEALTH CONTRACT MANAGEMENT 2016/17

Purpose of the Report

1. This report provides an update on the work of the Public Health Contract and Performance Team for the Public Health Committee in 2016/17.

Background Information

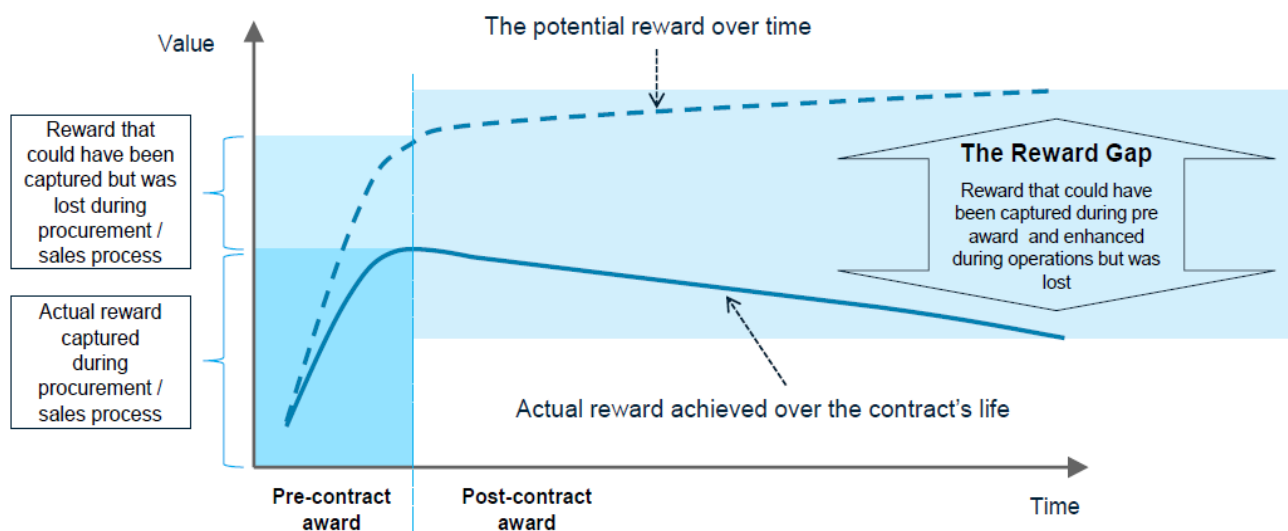
2. There is no definitive definition of Contract Management as it encompasses so many different disciplines. However, one definition could be that contract management is a systematic approach to securing maximum value from contracts by overseeing and managing:
 - contract creation, execution and analysis to maximize operational and financial performance, all while reducing financial risk;
 - supplier performance, used to measure, analyze, and manage the performance of a supplier in an effort to cut costs, alleviate risks, and drive continuous improvement;
 - supplier relationship, a systematic creation and capture of post-contract value from key business relationships; and
 - quality management, to ensure services and providers are consistently of good quality, embed safe practices and achieve desired levels of excellence.
3. There is a real tangible value to managing contracts properly. This means:
 - i) ensuring the provider performs its obligations; and
 - ii) the Authority delivers on its own obligations.

If the former is not managed, the Authority cannot properly evidence that it is receiving value for money through the delivery of services to the required level of quality and cost. If the latter is not monitored it can lead to extra costs being incurred or limits the ability of the Authority to hold suppliers to account.

4. The first stage in ensuring obligations on both sides are delivered is to understand what those obligations are and that means ensuring the contract is fit for purpose and is understood.
5. The second stage is establishing formal processes for monitoring contractual and wider obligations.

6. The third stage is devoting resources to monitoring each contract requirement with a sensible and proportionate degree of auditing and challenge which is aligned to the risk and value of each contract.
7. Robust contract management improves services and reduces costs. It is not simply delivering the deal that was agreed when the contract was signed. The Local Government organisation's research has found that local authorities obtained savings of between 3 and 15 % on the value of contracts over their duration.¹
8. The savings made by the PH contract and performance team are real and significant: some are quantifiable and can be verified, others are hard to quantify but are of no less value. An example of the latter is contained in the report on Locally Commissioned Public Health Services (LCPHS) in Appendix 1.
9. The PH contract and performance team robustly reviews and monitors the performance and quality of providers of services commissioned directly by PH. The commissioned contracts are outcomes focused and to that end, PH have identified what matters to residents and relevant stakeholders and clearly and consistently communicate this to providers at every interaction including regular contract review meetings, quality visits and performance monitoring requests.
10. The closely managed relationship with providers and the flexibility of the contract ensures the outcomes that really matter to both organisations are delivered. This creates a true partnership approach.
11. The diagram below illustrates the reward gap the team have captured and has not been lost to the Authority in 2016/17. In direct savings this amounts to **£526,533.34**.

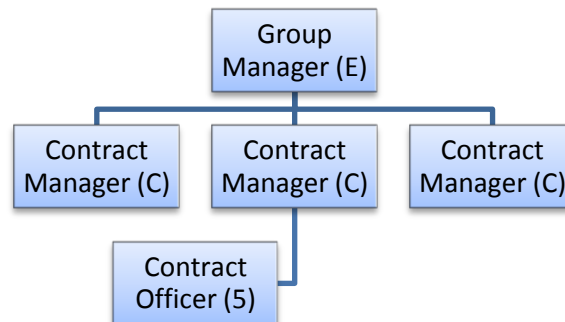
Reward capture and erosion over time



¹ Making savings from Contract Management LGA November 2013

Information and Advice

12. The Contract Management and Performance Team was formed in 2014. The team is structured as set out in the diagram below:



13. The team is completely integrated into the wider PH Team and interacts closely with Policy Colleagues, Finance, Procurement and Legal Services.

14. In 2016/17, the Public Health Contract and Performance Team directly contract managed 15 key providers as well as the hundreds of GPs and community pharmacies in the LCPHS. The cost of these directly managed services amounts to over £20m.

15. All public health services have been re-procured since public health came into the Authority in 2013 and savings of approximately 8% have been made across the PH spend as part of this re-procurement process.

16. In the 2016/17 financial year alone, direct cash savings of 2.6% have been made across the services directly managed by the team. (This is the first year these savings have been documented.)

17. Further savings that cannot be easily quantifiable have been achieved through smarter working practices resulting in more efficient use of staff time and more efficient use of other resources such as printing, paper, postage and space.

18. The Public Health team try to ensure that public health contracts are drafted and managed in line with the Government's response to the findings of the National Audit Office following their review of central government services. To that end, the following elements have been key to successful contract management:

19. A number of key PH contracts have commercial incentives to improve and services including incentive reward payments which form a percentage of the total 100% budget envelope. Open-book accounting clauses are also included to ensure public money is being spent properly.

20. Performance and reporting schedules contain strong performance indicators and provider data is scrutinised and questioned vigorously on a quarterly basis at contract review meetings.

21. Risk is monitored robustly with key providers reporting quarterly on both service level and organisational risks. Any shortfalls in performance are addressed, challenges are discussed and action plans put in place to try and turn performance around. The quality review meetings are a further mechanism to assure the Authority that good quality, safe services are being provided.
22. A rigid system of incident reporting further assures the Authority that we are aware of incidents that occur and that all relevant parties can ensure services are improved from the lessons learned.
23. Better scrutiny of payments and understanding of the contract has prevented overbilling and/or overpayment.
24. The main lessons learned from this approach to contract management includes:
- a) the Authority's responsibility does not end when a contract is signed- value is achieved over the life of the contract;
 - b) the contract must be flexible, fit for purpose, understood, referred to and followed;
 - c) services can be improved;
 - d) value can be unlocked, costs can be reduced and savings realised.
25. Proper contract Management ensures value for money and whilst some contractors may not behave well, the Authority has an obligation to proactively stop providers behaving badly.

Statutory and Policy Implications

26. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

27. Robust performance and quality reporting ensures that financial implications are monitored and reviewed effectively to minimise financial risk to the council.

RECOMMENDATION/S

The recommendations are:

- 1) That the Public Health Committee receives the report and notes the performance information provided.

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For any enquiries about this report please contact:

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Constitutional Comments

28. Because this report is for noting only, no Constitutional Comments are required.

Financial Comments

29. There are no financial implications arising from this report.

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All