

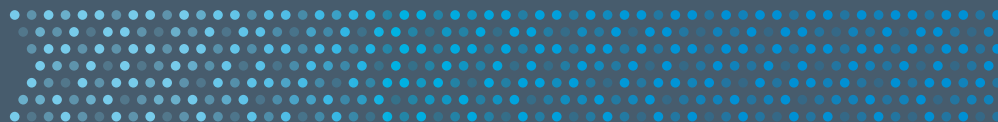


CASE STUDY



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This case study looks at how Surrey County Council has adopted a new approach to supplier relationships in the public sector to increase quality, efficiency and value for money.



Public sector procurement is often in the spotlight and seldom because it is being praised for doing a great job.

We were interested to learn how a function so often criticised and on the frontline of public sector spending cuts was embracing SRM. We contacted Mary Wildsmith, Supplier Management Officer within the Procurement and Commissioning function at Surrey County Council (SCC). She was happy to share an example of how a new approach to supplier relationships was being introduced.

Mary started by giving us an insight to challenges faced by local government procurement.

SCC is the fifth largest local authority in the UK. It provides services to 1.1 million people and spends over £650 million on goods and services with external contractors annually.

The council's focus is on delivering the highest quality services to its residents in the most efficient way and it is committed to doing this through instilling a 'one team' approach in Surrey. By working to make sure its entire staff, partners and businesses are pulling in the same direction, lasting improvements are being made for the county. The approach is crucial in helping to unlock new opportunities while also tackling existing challenges.

SCC has addressed the twin threats of reduced funding and increased demand for services head-on to uncover new ways to provide more for less. While identifying savings of £280m, the council has still been able to increase funding for essential services such as adult social care and school improvements.

The future poses serious challenges, with funding continuing to reduce and demand for services growing. The pressures facing the council are substantial:

- The county has some of the UK's most heavily used roads
- The number of people aged over 85 is set to double in the next 20 years
- There has been a near 20% rise in the county's birth rate over a decade

What follows is an example of strong and effective supplier management, exercised by SCC in the context of the challenges it faces.

BACKGROUND

Over a number of years, large outsourcing deals have increasingly been used in both the private and public sector to deliver complex and often specialised services. While in the majority of cases these solutions have delivered excellent service quality and value for money, this is seldom achieved without careful and proactive management. It is a common misconception that the value negotiated when a contract is put in place will be automatically delivered over its life. Effective SRM is required to ensure that both the contract and the relationship deliver optimum value. Here at SCC we have been able to utilise some of the principles of SRM to enhance our relationship with one of our strategic suppliers, Care UK.

In 2002, SCC outsourced seven of its residential care homes to Care UK Community Partnerships following a competitive tender process. The contract duration is for 25 years which means it has an unexpired term of 14 years from 2013. The deal offered guaranteed purchase of both residential and day care places. The contract also includes various property maintenance obligations which ensure the continued upkeep of the seven homes, the freehold of which is still owned by SCC .

The current annual value of the contract is circa £7.5m which equates to £105m for the unexpired term.

Prior to 2011 the contract was managed, largely informally, by two teams within SCC. The strategic level relationship between SCC and Care UK was always positive but the attention and internal resource focused on the contract by SCC had varied.

In any contract of this duration, the environment within which it operates is likely to change. In this case the wider political agenda relating to adult social care prompted questions about whether or not the contract was still meeting customer needs. The choice agenda and the drive to support people to remain at home living independently, had impacted on occupancy of care homes and attendance at day centres, with numbers falling most notably during the last three or four years. This, coupled with the financial difficulties being faced by the public sector, resulted in contracts of this nature being scrutinised more than ever by council members, senior officers and the public.

OUR APPROACH

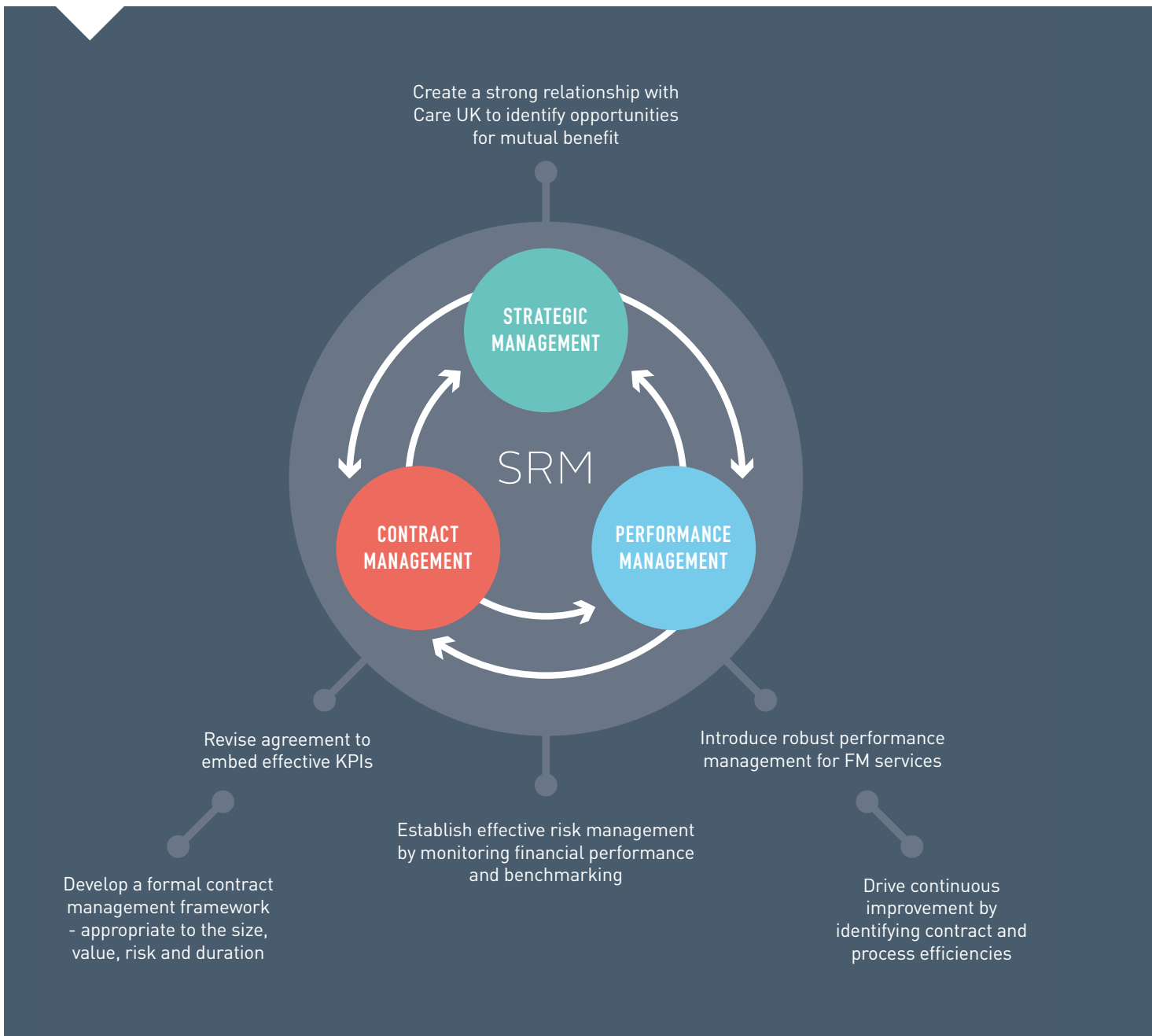
It was time to take action; 'Project Resolve' was launched in 2011 by the SRM team and Care UK was one of the strategic suppliers selected as a key provider of care services.

The SRM team consisted of seven members drawn from Procurement and Commissioning, Adults Social Care and Property services. A strategy was developed to gather data relating to the specific contract and SCC's wider relationship with Care UK, and to undertake the following research:

- Establishing current SRM maturity
- Benchmarking Care UK bed prices against similar providers in the market
- Conducting an evaluation of Care UK's financial position
- Understanding how SCC was perceived as a customer
- Analysing SCC's usage of Care UK bed and day care places
- Identifying and fully understanding the key clauses within the contract
- Engaging with Care UK to fully understand how they managed the care service and the properties

This enabled a series of recommendations to be developed that would address the immediate issues and also provide a template for managing contracts and relationships more effectively in the future.

These were based on adopting key elements of a holistic supplier relationship management approach.



These recommendations were accepted, and SCC and Care UK set about putting in place some fundamental elements of SRM.

Robust contract management and performance management

It was important to ensure that contractual obligations were being met and the clauses in the agreement were appropriate within a formal contract management framework.

Governance and process

SCC understood the importance of having a formal contract management framework with defined expectations. It was made a priority to develop a stronger relationship at operational, strategic and executive levels.

Delivering additional value

Opportunities for efficiencies within the contract were identified, particularly around improved management of respite care admission and discharge processes, and increased attendance at the day care facilities.

Since 2012, SCC has implemented a number of processes which have helped to formalise the relationship and encourage a more collaborative way of working.

1. Review meetings

Quarterly contract review meetings between strategic leads internally, and annual director level meetings with Care UK, ensure that the contract remains effective and that there is an established communications channel.

2. Inspections and information sharing

Inspections now take place which identify areas of best practice and areas for improvement to help Care UK more effectively manage the contract. Data gathering and information exchange are underway between SCC and Care UK. In addition, a shared risks and issues log means that both parties can work collaboratively and identify areas of improvement.

3. Improvement in reporting

Quarterly reporting on quality has been introduced and implemented across the seven care homes.

Throughout this change process SCC have involved Care UK at every step, and both parties have worked hard to resolve issues and implement change as effectively and efficiently as possible.

“A good solid working relationship has been established with SCC. It has created an open and transparent partnership and a solid foundation to continually drive improvements and efficiencies, and deliver best quality care.”



– CARE UK'S REGIONAL DIRECTOR

CONCLUSION

One year on, SCC is already beginning to see the benefits of actively managing its supplier relationship and is able to see where further value can be achieved. Better engagement, structure and information from both sides will support the relationship over the lifecycle. It will enable both parties to ensure that the contract delivers best value for the users of the service and the residents of Surrey.