LOCAL PARTNERSHIPS

Government Commercial Function | Crown Commercial Service | Ministry of Housing, Communities & Local Government | Local Government Association

CONTRACT MANAGEMENT PIONEER PROGRAMME

Training guide: Introduction to the key elements of contract management for contract managers

PART OF CONTRACT MANAGEMENT SUITE OF TOOLS



PURPOSE OF THIS GUIDE

Unless one of the big contracts of an organisation, for the most part, managing a contract is only part of some one's role, however a great deal of spend will be made externally. This is a quick guide to contract management covering the areas of...

Section 1: Value of contract management

Section 2: Contract management lifecycle

Section 3: Roles in contract management

Section 4: Social value

Section 5: Contract tiering

Section 6: Risks

Section 7: Discussion points

SECTION 1: VALUE OF CONTRACT MANAGEMENT

Why contacts are important

A **contract** is a legally binding agreement between two or more parties (the buyer and the supplier). It contains details of the goods or services you will receive, how they will perform and how much you will pay – these are often described as "Terms and Conditions" or T&Cs.

T&Cs will be part of your tender documents and will form part of the specification issued to potential suppliers.

A contract will vary in size and complexity, but usually has similar content.

What your contract should include

- What you are purchasing based on the service needs.
- What you will pay and when.
- How performance is measured and reported, including social value.
- Special terms and e.g. data protection, insurance and warranties, escalation, dispute resolution processes, working with subcontractors.
- Change control –the process if either party wishes to change an existing contract.
- How long the contract will last and whether it can be extended.
- Standing requirements (local and national) e.g. GDPR, modern slavery, net zero, step-in rights, behaviour standards.
- The process and responsibilities as the contract ends.

Why contact management important

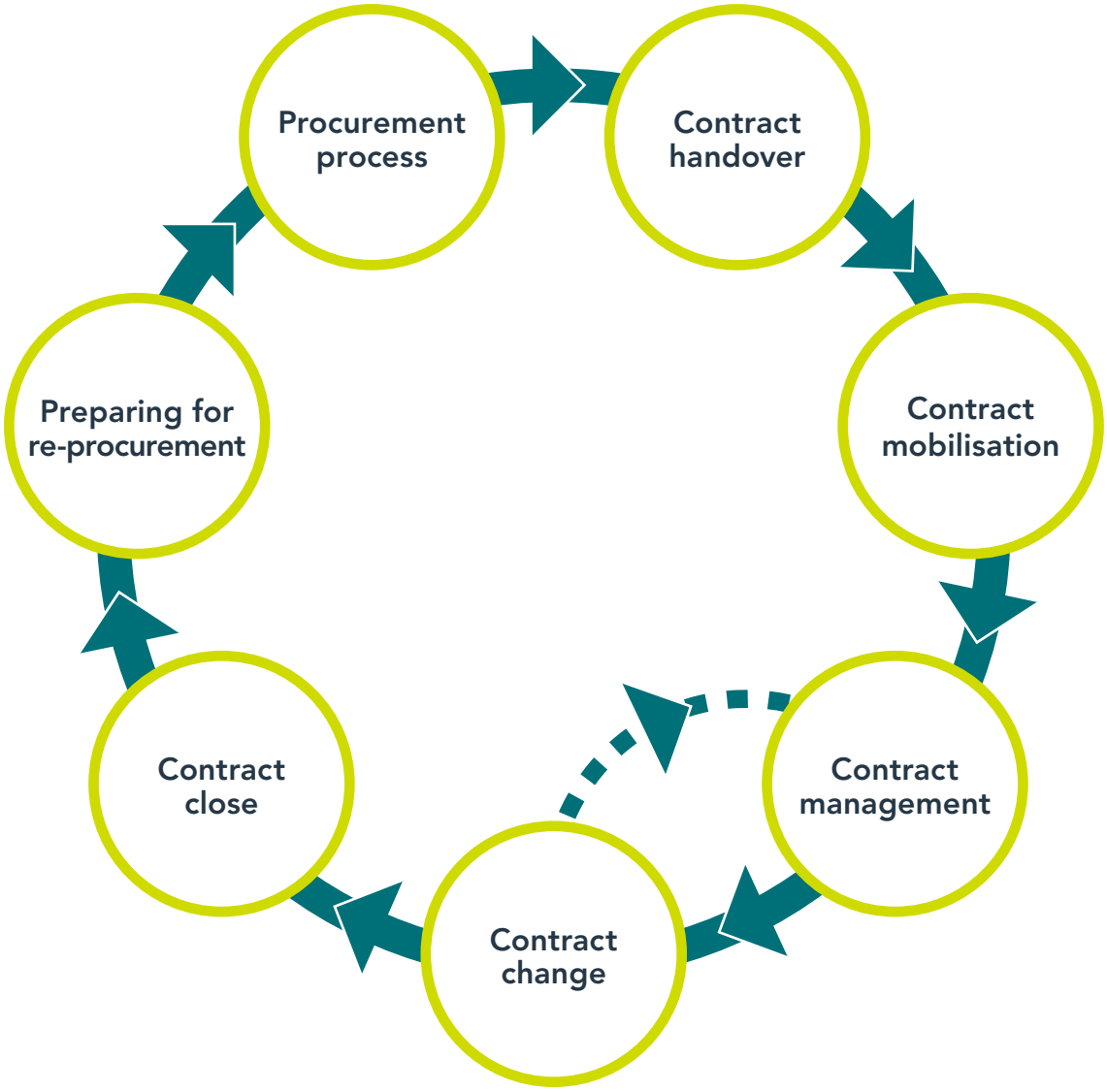
Contract management is the process of developing, implementing, and reviewing contract delivery.

Once a supplier has been selected through a procurement process it is incredibly important that the various requirements in the contract are measured and monitored.

This will support:

Creating value for money	Delivering what the contract has paid for, and exceeding it if possible.
Improving performance	Drive better performance and ensure services meet requirements.
Delivering greater benefits	Help achieve wider financial benefits and increase social value.
Driving compliance and transparency	Report results and follow requirements on transparency and fairness.
Being proactive	Horizon scanning changes; identify and mitigate risks; escalate issues.

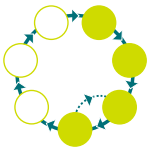
SECTION 2: CONTRACT MANAGEMENT LIFECYCLE



Contract handover

Contract handover

- Briefing from procurement to the contract manager.
- Get to know the contract.
- Initial contact with the supplier.
- Tier the contract to know level of management and assurance.
- Draft contract plan/project plan.



Contract mobilisation

- Establish the internal project team.
- Set terms of reference for strategic or operational meetings with supplier.
- Organise supplier meetings with established protocols.
- Create the baseline reporting including risk register.

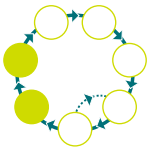
Contract management

- Day-to-day communication with suppliers.
- Cycle of regular review meetings, drive improvement.
- Make payment based on agreed terms.
- Challenge and escalate poor performance.
- Update logs (risk, change, issues) and plans.
- Provide reports and self evaluation.

Contract change

- Respond to change requests from the supplier.
- Present change requests based on the changing needs of the council.
- Governance decision based on the level and impact of change.
- Publish agreed change, and respond to challenge.
- Potential dispute resolution.
- Possible early termination.





Contract close

- Prepare for decommissioning and publish termination notice.
- Implement exit plan with close down actions.
- Arrangements for hand over e.g. intellectual property and data management.
- Final report on results.
- Decommission project team.
- Update the contracts register and procurement pipeline.
- Prepare lessons learnt.

Preparing for re-procurement

- Review options for an extension if part of original decisions.
- Gather research and consultation on service design.
- Early engagement with the market to assess changes and opportunities.
- Produce options appraisal for routes to market (including in-sourced).
- Produce governance report.

SECTION 3: ROLES IN CONTRACT MANAGEMENT

Key roles

Procurement officers and team

Operate the procurement process and handover completed contract to the contract manager.

Senior responsible owner

The senior officer responsible for the delivery of the contract, addressing issues and escalations.

Service lead

Representing the interests of the service, will design the requirements and outcomes of the contract.

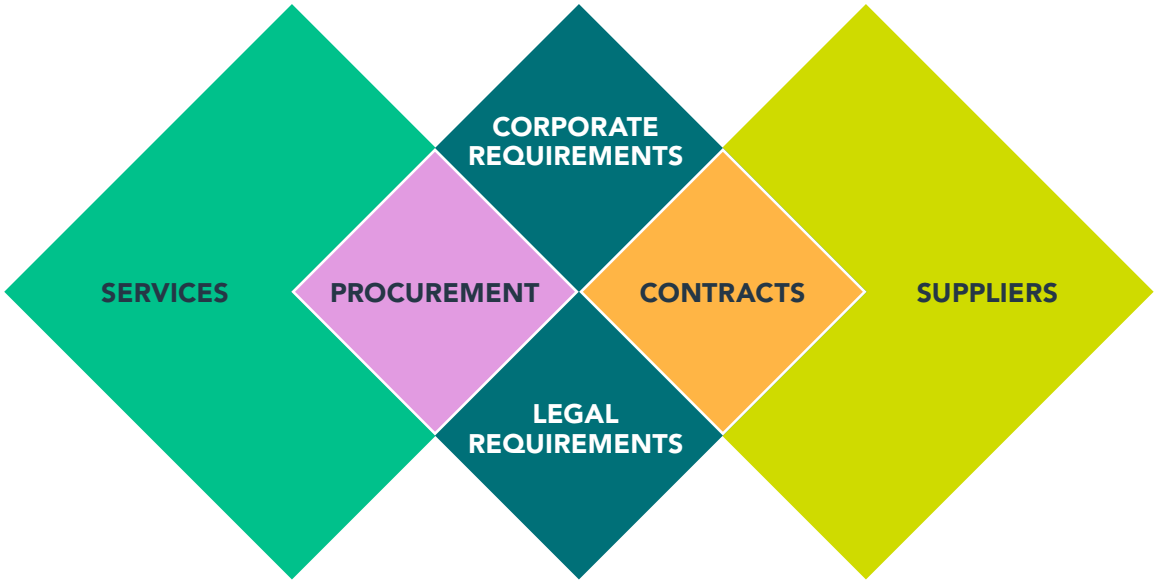
Contract manager

Day-to-day delivery of the contract, liaison with suppliers, monitoring and driving outcomes, reporting progress.

Interactions between functions

The roles will be supported by corporate colleagues including legal, finance, data, governance and communications; and often central in providing services for the council based on:

- The contract delivering essential service/user needs.
- Hand-off and connection between procurement and contracts is very important.
- Contract management ensures delivery through monitoring and management of suppliers.
- The supplier has a key delivery role in providing services and meeting obligations of the council.



Key role of a contract manager

- Know the contract's terms and obligations
- Monitor delivery by the supplier through KPIs
- Make payments based on performance
- Assess and at on risk
- Escalate issue and decisions, with options assessment
- Consider and manage contract change
- Provide reports and update logs
- Communicate well and be proactive

Soft skills:

- Communication
- Negotiation
- Problem-solving
- Meeting management
- Project management
- Horizon scanning
- Networking
- Assertive, yet reasonable

13 Questions

1. Is there a signed contract?
2. Is there a designated senior responsible owner?
3. Is there an up-to-date contract management plan?
4. Are the contractual obligations identified and understood?
5. Are the rights and remedies in the contract identified and understood?
6. Is the supplier delivering all services and obligations to contract?
7. Are reports received on time and accurate?
8. Are the change requests reasonable and allowed for the in the contract?
9. Are suppliers paid on time?
10. Has a self evaluation or review taken place in the last 12 months?
11. Is there an up-to-date risk management plan? Also an action and issue log in place?
12. Are continuity plans in place – by the supplier and the council if the contract fails?
13. Is there an exit plan in place – including re-procurement planning?

Ways of working with the supplier

- Being on the same page with the contract terms and expectations… if in doubt go back to the contract rather than using implied terms.
- Ensure regular performance reporting against KPIs, including social value.
- Monitoring meetings should be led by the council setting out clear terms of reference.
- See the warning signs if the supplier wants to change the contract early on.
- Watch out for financial distress – they could collapse leaving the council without a service.
- Contract variation can be a good thing in responding to changing community needs and innovation.
- Suppliers and the council may have different motivations but can have common ground that creates great results for the community.
- In general contracts work best where there is an alignment of interests – however trust and goodwill can break down suddenly or gradually.
- Therefore, proactive management of the contract and the relationship with suppliers is essential.

SECTION 4: SOCIAL VALUE

Why social value is important

Social value, in terms of the Social Value Act (2013), is about the benefit we can bring to society through our procurements. It is not about paying more for goods or services, but about maximizing the way in which procurements can bring added value and benefits.

Strategic alignment	Form social value indicators based on what the council wants to achieve.
Creating benefits	The focus can be social, economic and environmental benefits.
Secured at procurement	Designed and agreed at procurement and built into the contract.
Measure performance	Treat like any other KPI, and measure performance through out the contract.
Reporting on impact	Share the outcomes as contributes to the core objectives of the council.

Suggested measures



SECTION 5: CONTRACT TIERING

Tiering is a method of assessing and evaluating the criticality of the council's contracts to help determine:

- What actions should be taken in implementing, delivering and monitoring each contract.
- The contract management resource applied.
- The level of prioritisation each contract should receive within the council.

Tiering can use the following criteria:

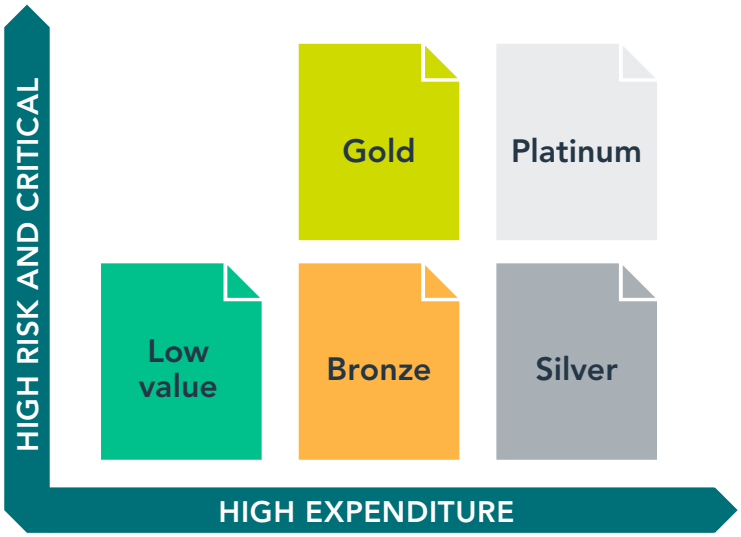
Cost and financial value.

Degree of risk, and range of risks.

Importance to critical services.

Impact on resident, particularly if failed.

Contract tiering example



Using tiering

- Tiering allows contract management to be proportionate and assist in managing and allocating resources.
- Tiering contracts should lead to meaningful changes in actions.
- Focus on top-tier contracts should bring benefits in terms of enhanced contract management.
- Additional resources and training may be necessary for effective top-tier contract management.
- Allowance for flexible tier adjustments (upward or downward) during periodic or ad hoc reviews is essential.
- Reviews should accurately reflect material changes, especially related to internal and external risk factors.

SECTION 6: RISKS

Risks in contract management

- Poor planning, preparation and no handover.
- Poor and/or undeliverable contract.
- Quality of specification at an early stage.
- Knowing different roles, responsibilities and accountabilities.
- Legal challenge based on contract change.
- Capacity and capability to manage the contract.
- Changing supplier environment and unforeseen events.
- Supplier default and limited continuity.
- Poor relationship with the supplier and supplier dominance.



SECTION 7: DISCUSSION POINTS



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