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| **Contract Management Toolkit:**  L:\Procurement\South East Consortium\Membership Services\Website development 2018\New logo\jpg\sec-logo_logo.jpg |
| Supporting guidance document |
| Dated: November 2020 |

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| **1.0** | **Introduction** |
| 1.1 | This document provides an introduction to a Contract Management Toolkit. It sets out a structure and templates supporting a consistent approach to effective contract control and management. |
| 1.2 | The purpose of a Contract Management Toolkit is to provide a consistent approach to contract management across the organisation. The toolkit provides tools, techniques and templates to support contract management at both a strategic and operational level.  A filing structure should be implemented which is familiar with your organisation and team members. Following the toolkit should be mandatory for managing all contracts, to provide a consistant approach across the organisation. This is designed to be flexible and proportionate depending on the nature of the contract. Whilst this has been designed specifically for property management, it can be adapted for any type of contract. Therefore please feel free to adapt and improve, using elements relevant to your contract. |
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| 1.3 | Effective contract management is important as it:   * Ensures the contract is delivered for which the purpose it was intended, at agreed levels, workmanship, timescales and costs. * Effectively measures contract compliance and performance in a continuous way. * Ensures all parties to the contract have an effective working relationship * Reduces the risk of disputes and litigation, which can be costly and cause reputational damage. * Provides clear mechanisms for managing change * Ensures accurate and relevant reporting and monitoring * Fulfills the parties’ contractual obligations |
| 1.5 | There are two main types of Contract Management, namely Strategic Contract Management and Operational Contract Management for which the differences have been illustrated in the table below.   |  |  | | --- | --- | | STRATEGIC CONTRACT  MANAGEMENT | OPERATIONAL CONTRACT MANAGEMENT | | Leadership responsibility | Day to day management of a contract | | Operates at a senior level | Resolution of delivery issues | | Focuses alignment and delievery on corporate objectives | Monitors performance and KPIs | | Develops commercial relationships and leads negotiations | Delivery of improvement plans and risk register | | Responsible for managing/mitigating contractor failure | Responsibility for health and safety, communication and data management | | Ensures operational management is performing | Delivery of improvement plans, risk register and contract compliance | | Drives change initiatives | Accurate financial management | | Escalation point for operational issues | Leads contract review meetings |   The term ‘Contract Administrator’ (CA) is used widely throughout this toolkit. The CA is the person named in the contract responsible to manage the contract on behalf of the Client. |
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| **2.0** | **Classification of Contracts** |
| 2.1 | The CA, with assistance from Senior Management, should classify the contract using a ‘value and risk matrix’ (document 3 of this toolkit) to determine the relevant focus and management requirement. Each contract can have a classification of either:   * **Routine** – low value and low risk, usually simple for e.g purchase of goods, relatively straightforward without needing much involvement from a senior level * **Operational** – moderate value and risk, requires a contract management plan to manage the relevant value or risk. For example, a high value low risk contract would mean the focus should be on getting value out of the contract by monitoring spenditure, and how accurate valuations areetc. Simillarly, a low value high risk contract should focus on contract performance, meeting quality commitments and data accuracy. * **Strategic** – both high value and high risk, needs a lot of input from senior management, requires a detailed contract management plan in place. |
| 2.2 | When deciding on the classification, CAs can use the appropriate level of plans and tools to manage their contracts. With initial support from senior management, the CA will need to complete either a Contract Management Checklist or a Contract Management Plan (CMP). |
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| 2.3 | The CMP supports all contracts assessed as operational or strategic. Please note this should be treated as a ‘live’ document and should be updated throughout the life of the contract.  The main objectives of the CMP is to provide:   * Clear definition of roles and responsibilities of those involved with the contract. * How the contract will be governed for example reporting tools, risk management, KPI recording and monitoring and control processes. * To ensure there is a clear definition of the service levels, pricing and services associated with the contract * Risk management oversight * A methodology in place for recording significant changes/variations post award of the contract. |
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| 2.4 | For more simple and straightforward Routine contracts, a Contract Management Checklist (CMC) can be completed instead of a CMP. The CMC ensures the basic information is captured for successful contract management. |
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| **3.0** | **Applying the Toolkit** |
| 3.1 | Contract Management has 3 main stages throughout the life of the contract and are identified as:   * Initiation * Management * Completion   The activities within each phase will vary dependant on both the classification and the Value Risk Matrix. We have equipped you with a Value Risk Matrix as part of the suite of documents.  The flow chart on the following page identifies what activities are required in each stage.  Stage 3: Completion  Stage 2: Management  Stage 1: Initiation   * Designing the next procurement * Learning from previous contract * Final payment * Data recovery * Performance outcomes * Delivery risks * Payments * Quality * Improvement plan * Business continuity * Contingency planning * Customer satisfaction * Roles and responsibilities determined * Pricing * Data management reporting * Reporting * Performance measures |
| **4.0** | **Toolkit templates and guidance** |
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| 4.1 | Phase 1 –Initiation |
|  | |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Activity | R | O | S | Lead Officer(s) | Template / Tool / System / Guidance | | Classify contract using VRM tool | Y | Y | Y | Procurement lead / Contract Administrator(s) | 3. Value Risk Matrix | | Establish electronic file structure & save key contract documents | Y | Y | Y | Operational Contract Administrator | Internal document on file structure | | Complete Contract Management Checklist | Y | N | N | Operational Contract Administrator | 4. CMF Contract Management Checklist | | Complete Contract Management Plan | N | Y | Y | Contract Administrator(s) | 5. Contract Management Plan template | | Conduct pre-contract meeting | N | Y | Y | Contract Administrator(s) | 7. Mobilisation Plan, 9. Pre-contract meeting agenda | |
|  | Please also note SEC are now offering to attend any pre-contract meeting following procurement from our frameworks. More information can be found on our website. |
| 4.2 | Stage 2 –Management |
|  | |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Activity | R | O | S | Lead Officer(s) | Template / Tool / System / Guidance | | Performance management via KPI’s | N | Y | Y | Contract Administrator | Manage in accordance with contract terms | | Regular review of KPI suitability / effectiveness | N | Y | Y | Contract Administrator | Manage in accordance with contract terms | | Contract administration inc payment & variations | Y | Y | Y | Contract Administrator | Manage in accordance with contract terms | | Risk Register | N | Y | Y | Contract Administrator | 6. Risk Register Template | | Issues Log | N | Y | Y | Contract Administrator | 11. Issues Log Template | | Business continuity plans | N | Y | Y | Contract Administrator | Internal continuity plan | | Data Security annual statement | N | Y | Y | Contract Administrator | Internal data security statement | | Continuous improvement plans | N | Y | Y | Contract Administrator | 8. Continuous Improvement Plan template | | Complaints / disputes / performance issues | N | Y | Y | Contract Administrator | Manage in accordance with contract terms | | Escalation hierarchy | Y | Y | Y | Contract Administrator | Manage in accordance with contract terms | | Customer feedback | N | Y | Y | Contract Administrator | Manage in accordance with contract terms | | Equality & Inclusion Annual Review | N | Y | Y | Contract Administrator | Internal equality and inclusion document | | Contract Review Meetings | N | Y | Y | Contract Administrator | Internal agenda | | Annual Contract Review | N | Y | Y | Contract Administrator | 10. 12 month review agenda template | |
|  | Please also note SEC are now offering to attend any 12 month review meetings following procurement from our frameworks. More information can be found on our website. |
| 4.3 | Stage 3 – Completion |
|  | |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Activity | R | O | S | Lead Officer(s) | Template / Tool / System / Guidance | | Review performance of current contract | Y | Y | Y | Contract Administrator | 10. 12 month review agenda template | | Negotiate extension if required (only if contract terms allow) | Y | Y | Y | Supplier / Contract Administrator | Manage in accordance with contract terms and internal approval process | | Manage exit / transition | N | Y | Y | Contract Administrator | 12. Completion Checklist | | Lessons learned report | N | Y | Y | Contract Administrator and Procurement | Standard internal report format | | Options appraisal for future service delivery | Y | Y | Y | Contract Administrator and Procurement Lead | Internal procurement plan/internal report format | |
| **5.0** | **Practical Steps** |
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| 5.1 | Key Performance Indicator (KPI) monitoring  The CA is responsible for collating data, monitoring KPIs and reporting them.  KPIs ensure there is focus on the critical performance objectives of the contract and they can be generally condensed into four or five key indicators. The KPIs are usually established during the pre-tender stage and communicated to the contractor at the pre-contract meeting. During that meeting the KPIs should be conveyed along with the requirements for monitoring. For example, when data will need to be sent and collated, what periods they cover and how they will be measured.  If you are intending to have SEC participate in your 12 month review meeting, it is crucially important for you to have a process in place for collating, monitoring and reporting any KPIs within the contract, to enable a review of performance over the previous 12 months.  The CA will also need to establish a range of additional contract management measures to monitor compliance with contract terms. These will be determined largely on the:   * nature of the works * means by which the data or information is shared * types of contractual requirements which provide insight of general supplier performance. |
| 5.2 | Reporting  The CA is responsible for establishing a reporting process proportionate to the risk and value of the contract. Following on from this, a communication plan should be made to keep your other team members involved and aware of progress, issues etc. |
| 5.3 | Contract Review Meetings  The CA is responsible for organising and leading review meetings. The CA is responsible for issuing the agenda and all supporting reports ahead of the meeting.  Elements for an effective contract meeting include:   * Ensuring the meeting has a set time which is chaired by the CA. * The agenda along with any reports, proposals and discussion topics is sent in good time before the meeting date to the relevant parties. * Having an agenda that is focused on items relevant to the contract, in order to focus the meeting and key areas which need to be discussed. * The CA communicates the outcomes of the meeting, by way of meeting minutes, with action points within a set time scale after the meeting has taken place. * The CA should also ensure all relevant communications are shared to internal team members which are involved in the contract   The frequency of the performance meetings needs to be adequate to demonstrate control and oversight of the contract requirements. It is ideal to set out the frequency of these meetings at the initiation stage to allow for planning.  The CA must formalise any instruction or direction agreed at these meetings in writing. Reliance on agreed minutes of the meeting does not establish a contractual agreement. |
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| 5.7 | Annual Review and Final Performance Assessment  Annually and prior to the completion of the contract, the CA should provide their senior management or budget holder with an assessment of the contract. The following topics should be reported on:   * Acheivement against KPIs and satisfaction rates of users of the contract * Whether or not the overall objectives of the contract are being met * Significant contract variations and budget implications * Whether the original budget is the same as actual spend * What areas are performing well and others that are not, with a plan of improvements. * Contractor’s approach to equality & diversity and compliance with Modern Slavery obligations * The contractor’s review of their data security measures.   The depth and detail of the report will vary depending on the contract. However, the review process is critical regardless of the size and value of contract. |
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| 5.8 | Driving financial efficiency  The CA should aim to develop a way to measure, target and highlight efficiencies gained following the award of the contract. This can be set out in the CMP and annual review report. Consider the following points:     * The tracking/monitoring method; and * How to present the price baseline and how incremental changes are measured, for example:   + How savings against the pricing baseline are calculated;   + How incremental changes against the contract non-price baseline of benefits will be calculated;   + How often efficiencies will be measured (perhaps quarterly); and how data will be verified with an analysis conducted. |
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| 5.9 | Strategic meetings  The function of a periodic strategy meeting is to provide a forum for senior staff members to review the delivery of the contract objectives and to resolve issues escalated by the team who are operating the contract.    The primary objectives are:   * To consider any internal or legislative changes have impacted the delivery of the contract. * To scrutinise whether the contract objectives and targets are being met. * Assess or mitigate any identified additional risks. * To look at a strategic overview of cost, issues and progress towards the objectives * To consider how the performance aligns with internal business or service plans. * To ensure effective communication is taking place at all levels * To agree any proposed efficiencies and changes * To set year-on-year improvement targets if appropriate * To achieve best value through innovation and service improvements. |
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| 5.10 | Contract Completion  The transition period from one contract to another can be an area of high-risk for you and your customers.  The contract completion phase is important as it:   * Needs to define clear roles and responsibilities along with activities for completing the contract. * Defines clear instructions for the transferring and recovery of data * Defines any transferring employee obligations * Minimises the risks of service delivery failure during the change over and new mobilisation period * Allows consideration and to define options following contract completion.   The Contract completion plan will also deliver:   * A managed transition into a new contract * A method for capturing any alterations and learning required for a new contract * Opportunities to remove waste and generate further efficiencies under a new contract.   Associated risks of not performing a contract completion plan are:   * A potential failure to capitalise on commercial opportunities * A lack of accountability on contract management activities * A potential for performance issues as the contract comes to an end * A potential for financial liabilities to arise following the completion of a contract.   It is the responsibility of the CA, with senior staff members to develop and communicate a suitable contract completion plan along with a transition. When considering transition into another contract, it would be prudent to:   * Identify any specific differences between the current and future contracts * Develop a new communication plan, identify stakeholders both internally and externally * Update internal processes or procedures with any changes required.   The transition into a new contract may take several months depending on the complexity and size of the contract, which means time needs to be allowed for additional activities to be conducted by the CA.  Once the contract has been completed, it must be formally closed by the CA according to any specific contract conditions and terms. It is important for the CA to be attententive when it comes to final payment, data recovery and collation of documents. The contract completion checklist can be used for this final stage. |