

Cross Government Review of Major Contracts

Summary of Findings and Recommendations endorsed by the
Oversight Group

Autumn 2013

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Foreword by the Chief Procurement Officer, UK Government

The Government welcomes this report on the Review of Major Contracts that was announced by the Minister for the Cabinet Office in July 2013. The Review was prompted by the findings from the audit of contracts with Serco and G4S conducted by the Ministry of Justice. This report sits alongside the report from the Ministry of Justice review of major contracts, which is also being published.

The Review comes at a time when the landscape of public services is shifting rapidly. Fiscal pressure and demographic changes create a challenging environment for Government and the 'old' models for delivering public services are no longer sufficient or sustainable. Opening up public services to a diverse range of suppliers means that we can access the innovation that the public sector, private companies and the voluntary sectors can bring to design and delivery. We are already seeing the benefits of this, both in terms of high quality services and reduced costs for the taxpayer. For example, the management contract for the Atomic Weapons Establishment saved taxpayers more than £150 million in 2012/13 alone. The 28 contracts that are the subject of this Review continue to deliver significant benefits to the Government, reducing costs and improving outcomes for the taxpayer.

We need the very best commercial skills to be able to take the opportunities that opening up public services brings and we know that these skills are not yet strong enough across Government. The Civil Service Reform Plan sets out our ambition to build our commercial capability. We have made some great steps forward already, for example, the network of experienced Crown Representatives that are helping Government to act as a 'single client' with our largest suppliers, and the appointment of experienced Non Executive Directors to all Department Boards bringing commercial expertise to the 'top table'. This report clearly shows there is much more we need to do and the recommendations provide an excellent framework for making the necessary step-change along this journey. The recommendations of the report are accepted in full.

The creation of the Crown Commercial Service is another significant step forward as is the renewed focus on the commercial profession that was highlighted by Lord Browne in his recent annual report. The Major Projects Leadership Academy and the Commissioning Academy are key elements in developing these in-depth skills.

We are also investing in building commercial understanding across the Civil Service including bespoke training for all members of the Senior Civil Service and ensuring our most talented staff have direct private sector experience through a new secondments and interchange programme.

It is clear though that the task ahead is significant and we are determined to address it. Departments across Whitehall are taking action to improve their commercial capability and will report on implementation of these recommendations to the Minister for the Cabinet Office and the Head of the Civil Service in the Spring 2014.

I would like to thank all members of the Oversight Group; the Permanent Secretaries from MOD and Home Office, the other senior Government officials, and private sector colleagues, for their commitment and support throughout the Review. The Group's insight and commercial experience was invaluable. I am particularly grateful to Tim Breedon, Ed Smith and Ian Tyler, who work with Government as Crown Representatives or Non-Executive Directors, for their time and expert advice. I would also like to thank PricewaterhouseCoopers and Moore Stephens for their diligent and professional work on the detailed contract reviews.

Bill Crothers

Chief Procurement Officer UK Government

1. Summary of Findings

- 1.1 The Cross Government Review of Major Contracts (the “Review”) was instigated as a direct result of the audit of contracts with Serco and G4S conducted by the Ministry of Justice (MoJ) that found the Government had been charged for services that were not delivered. Both Serco and G4S have publicly acknowledged their poor performance and inappropriate business conduct. They recognise that their failings have let the customer down and have already taken some actions to address the issues identified.
- 1.2 PricewaterhouseCoopers (PwC) and Moore Stephens, the professional audit firms appointed to conduct the detailed reviews, have worked with us to develop the summary of findings and themes set out in this section and in Section 5: Key Themes, and have confirmed that these sections are consistent with the findings from their detailed work on the individual contract reviews.
- 1.3 The Review considered two key aspects; firstly, the billing and payment arrangements for the contracted services, and secondly, an assessment of how well the contracts have been managed.
- 1.4 The Review’s investigation of the charging and billing arrangements on the identified contracts was based on established sampling techniques, with a range of payment transactions being identified and tested. The exceptions to this testing regime were the two “special purpose vehicle” arrangements that were not under any single company's control, namely, the Department for Transport’s (DfT) Northern Rail Franchise and the Ministry of Defence’s (MOD) Atomic Weapons Establishment Management Ltd (AWEML).
- 1.5 In these two cases, the Departments concerned provided an endorsed statement of their payment controls and the auditors conducted a focussed review of both Departments’ contract management arrangements.

Findings on billing arrangements

- 1.6 The Review found no evidence of deliberate acts or omissions by either Serco or G4S leading to errors or irregularities in the charging and billing arrangements on the 28 contracts investigated within this Review.
- 1.7 However, across the majority of the contracts, the Review found that there were deficiencies in key controls being applied to the invoice and payment processes and there is therefore a risk that over-charging may have occurred. The Review's assessment of the deficiencies has determined that, in most cases, the impact is considered unlikely to be material¹. Nevertheless, the issues found are sufficiently important that senior management attention is recommended.
- 1.8 The Review found three cases (the DWP Work Programme contracts) where the possibility of errors or irregularities and their impact was felt to be potentially more significant. These are "payment by results" contracts which protect the taxpayer more effectively from the failure of the contractor to perform; but inherently involve more complex contract management. The Review has recommended further testing to establish with more confidence the significance and impact of the risks identified arising from the current contract management regime. DWP has defined further work, already underway, to examine these issues in detail, and to identify any necessary changes to the regime.
- 1.9 In a further case (MOD's COEFOR contract), there is insufficient evidence to confirm that the Department has received all of the services that it paid for. However, given the nature and relatively small size of the specific contract, the possibility of material error or irregularity is deemed of less significance than the cases identified in paragraph 1.8 and the Review recommends that the Department improves the relevant controls to avoid a similar occurrence in the future.

¹ In this Report, the terms "material" and "materiality" are interpreted as quantitatively significant in terms of aggregate value or qualitatively material because of the circumstances of the error or irregularity

Findings on contract management

- 1.10 The Review has identified some good practice in contract management in many Departments. Examples include; the arrangements in place for managing the Department for Transport's (DfT) Northern Rail Franchise are good and there is significant knowledge and experience within the Department of managing such agreements; the contract management arrangements in place with MOD for the AWEML contract appear robust and well embedded; and the Foreign and Commonwealth Office's (FCO) joint team has strong, open, peer-to-peer working relationships that has resulted in smooth running services with effective and prompt resolution of operational issues.
- 1.11 However, the Review's overall conclusion is that in the majority of contracts there are weaknesses, some of which are significant, in the way these contracts are managed. These require to be addressed by Departments.
- 1.12 The detailed findings have been analysed and the results of our analysis are set out in section 5: Key Themes.

2. Background

- 2.1 On the 11 July 2013, the Minister for the Cabinet Office, Francis Maude, announced a Government-wide review (the “Review”) of contracts with G4S and Serco. The Review was prompted by the findings of an audit of contract management and billing practices within the Ministry of Justice (MoJ), which indicated there were discrepancies in the charges invoiced to the contracting authority for the services received.
- 2.2 The Review looked at major contracts with Serco and G4S held by Central Government Departments, their Non Departmental Public Bodies (NDPBs) and Arms Length Bodies (ALBs). In parallel, the MoJ conducted its own review into their contracts held with G4S and Serco.
- 2.3 The Review got underway on 22 July 2013 and the Terms of Reference were published on the Cabinet Office website². The purpose of the Review was to:
- Confirm that charges paid by the contracting authorities to the suppliers accurately reflect the contractual basis for billing of the services provided.
 - Understand the way in which these contracts have been managed by the suppliers and the Department.
 - Make recommendations to improve the management of these and similar contracts across Government and the controls that regulate payment.
- 2.4 Governance of the Review was undertaken by the Commercial Relationships Board (CRB) that was established in May 2012 to strengthen Government’s commercial management. The CRB established a subgroup to form the Oversight Group for the Review and co-opted a number of senior officials from across Government as well as private sector individuals who work with the

² The Terms of Reference for the Cross Government Review of Major Contracts are available at <https://www.gov.uk/government/news/review-of-government-g4s-and-serco-contracts>.

Government as Crown Representative and Non-Executive Directors. The Oversight Group was chaired by the Chief Procurement Officer.

- 2.5 The Review has concluded and this report is the final output from the Review. The responsibility for further work arising from the Review now passes to Departments. This report presents a summary of the findings together with recommendations for the next steps to be taken by Departments and the Cabinet Office/Crown Commercial Service (CCS).

3. Scope and Conduct of the Review

- 3.1 The scope for the Review covered all major contracts held with Serco and G4S where revenue was generated for the suppliers of greater than or equal to £10m in the financial year 2012/13. The scope identified 28 contracts (see Appendix 1) representing a total contract value in excess of £5.9bn and annual revenue to the suppliers in 12/13 of around £1bn.
- 3.2 Excluded from the Review were contracts held by public bodies that are outside the remit of central Government such as local authorities, health, the police, and LOCOG. Also excluded from the Review were those contracts held by MoJ. The Cabinet Office worked closely with MoJ to ensure the MoJ's audit review and this Review adopted similar approaches, shared emerging findings, and were aligned in their purpose and reporting.
- 3.3 The Review investigated two concepts, namely (i) the charging and billing arrangements associated with the services being delivered to determine whether invoicing has matched the requirements of the contract and whether over-charging³ has occurred, and (ii) the way the contract is being managed by the Department and the supplier.
- 3.4 The detailed work of the Review was conducted by PricewaterhouseCoopers (PwC) and Moore Stephens on behalf of the Cabinet Office and in accordance with professional audit standards. Each contract review followed an agreed methodology (see Appendix 2), which included a standard document list of contract information required for each contract review and a Contract Management Checklist (see Appendix 3) for assessing contract management arrangements.
- 3.5 The output of each contract review was a structured report by the auditors detailing the results of their investigation including the testing of payment processes and the assessment of the contract management arrangements.

³ "Over-charging" is taken to mean where a payment has been made for a service not delivered.

- 3.6 The Review's investigation of the charging and billing arrangements on the identified contracts was based on established sampling techniques, with a range of payment transactions being identified and tested. There were two exceptions to this approach, namely the "special purpose vehicle" arrangements that are not under any single company's control. In these two cases, the Departments concerned provided an endorsed statement of their payment controls and the auditors conducted a focussed review of the Department's contract management arrangements.
- 3.7 The National Audit Office (NAO) had a formal role to provide assurance that the Review was conducted in a robust and thorough manner. In addition, the Contract Management Checklist is based on earlier work done by the NAO on best practice in contract management.
- 3.8 The Oversight Group was the governing body for the Review and its purpose was to:
- Oversee the scope of the Review.
 - Determine the end-point of the Review.
 - Provide advice, on request, to Departments on "materiality" of relevant audit findings.
 - Oversee the corporate renewal programme for a specific strategic supplier.

4. In-scope Contracts

- 4.1 The 28 contracts included in this Review cover a wide variety of services; ranging from complex requirements, for example, providing suitable accommodation for asylum seekers or helping job-seekers back into work, to specialised requirements, for example, training for troops about to deploy, and a number that are concerned with more routine and well-established services, such as Facilities Management.
- 4.2 The contracts are held with eight Departments, namely, the Foreign and Commonwealth Office (FCO), the Department for Work and Pensions (DWP), the Home Office (HO), the Ministry of Defence (MOD), the Single Intelligence Account (SIA), the Department for Transport (DfT), the Department for Education (DfE), and the Department for Business, Innovation and Skills (BIS).
- 4.3 The contracts have varying durations from a few years up to 30 years and have start dates ranging from 1998 to 2012. The contracts are predominantly “prime” contracts held by the Department with either Serco or G4S. Six of the contracts are either “special purpose vehicles”, involving one of the suppliers, or are sub-contracts held by one of the suppliers.
- 4.4 The charging arrangements set out in the contracts, apart from the “special purpose vehicles”, are based on fixed or variable fees, or a mix of both. The variable fees are triggered by events, or are based on individual projects, or the deployment of specific personnel, or are determined by individual services or pre-agreed rates for each person using the service.
- 4.5 The list of contracts, with brief explanations on each, is provided at Appendix 1.

5. Key Themes

5.1 This section sets out the key themes emerging from the detailed findings of the Review. Figure 1 below illustrates the overall findings of the 28 contract reviews showing the results against each of the areas identified in the Contract Management Checklist (see Appendix 3). The illustration shows that the most significant areas of weakness are around managing performance, payments and incentives, and planning and governance.

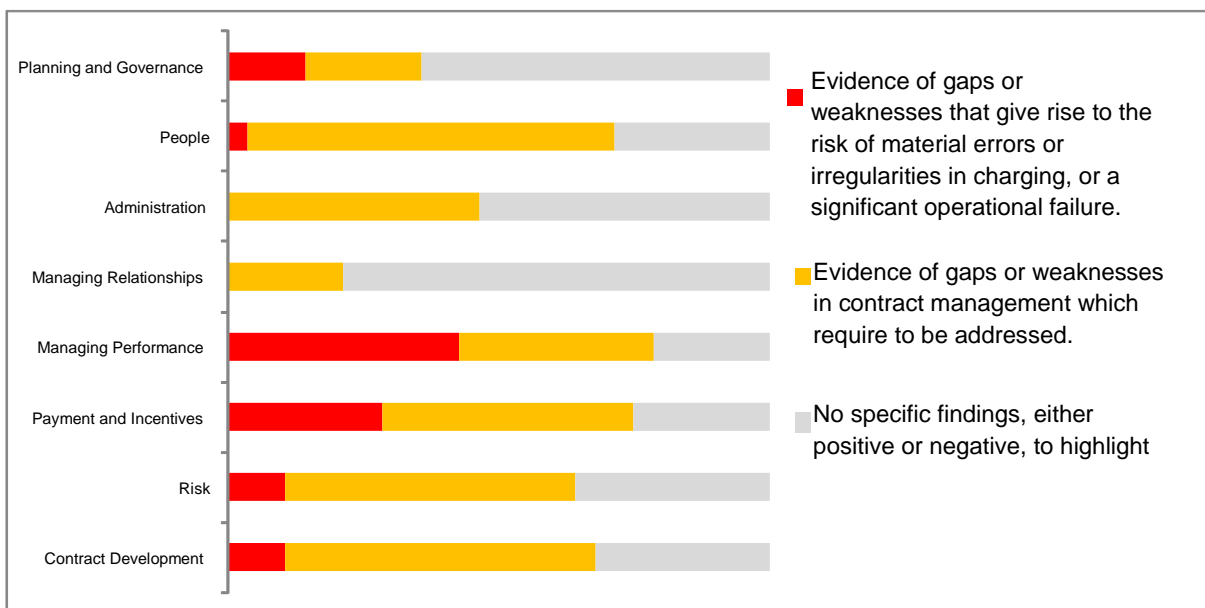


Figure 1: Illustration of overall findings on Contract Management

5.2 Our analysis of the detailed findings has identified seven key themes that represent the most commonly occurring issues. The themes, in order of significance are listed below and explained in the following paragraphs along with examples from the detailed contract reviews:

- Performance management
- “Stewardship” of contracts at a senior level
- Financial control, assurance and lack of transparency
- Incentives to generate service improvements
- Change management practices

- Management of the transition from pre-contract stages
- Allocation of the right contract management resources

5.3 **Theme 1: Performance management:** There is evidence of inconsistent performance management; on most (22/28) of the contracts, there is a general over-reliance on supplier's self-reporting their performance with insufficient verification checks being performed by the Department. In addition, there are contracts that have large numbers of key performance indicators, many of which are not measured or monitored and they often do not relate to the intended outcome of the contract.

In one contract, the KPI system was considered by all parties to be too complex and did not focus on the Department's business priorities. In another there was a large degree of reliance on the provider to self-report and the provider's systems, which produced the underlying performance data, were not sufficient to provide a clear audit trail.

5.4 **Theme 2: "Stewardship" of contracts at a senior level:** The reviews found evidence of a lack of senior level involvement on 9/28 contracts reviewed. There are contracts that have no strategic oversight within the Department and there is a general lack of visibility of contract performance at Departmental board or executive level. Furthermore, there was a lack of evidence of comprehensive risk assessment in 27/28 of the contracts.

There is a lack of focus on this contract at Board and Executive Committee level. Issues are discussed on an exceptional basis, but no time is given to the contract as a topic, leading to a risk of a lack of strategic oversight of this expenditure.

5.5 **Theme 3: Financial control, assurance and transparency:** In 15/28 contracts weaknesses were identified. For example, limited interaction between finance and commercial/contract management functions resulting in misunderstandings and confusion over who is responsible for checking invoices and charges not being correctly applied. Furthermore, there is little

evidence of 'open book' accounting arrangements being used to monitor the financial performance of the contracts and no transparency of supplier margins; 10 contracts have 'open book' clauses but only 1 of the contracts had exercised these rights.

In one contract financial deductions in respect of performance measure failures were not deducted from invoices over the period and the current weaknesses in the system mean that larger errors may not be identified.

5.6 Theme 4: Incentives to generate service improvements: In 12/28 contracts, there are no meaningful incentives in the contracts to strongly encourage either the Department or the supplier to innovate and make service improvements and/or the financial penalties for performance failures are not significant enough to encourage the supplier to address poor performance. There is also some evidence in Departments of a basic reluctance to move away from the original terms

In four similar contracts the monetary value of financial deductions for performance issues or failures is very low in comparison to the overall annual contract and therefore does not provide the impetus for the provider to address weak performance.

5.7 Theme 5: Change management practices: contract changes have been made to most of the contracts (as would be expected). However, the approvals process for these changes is generally weak and is often carried out at an operational level (seen in 10/28 contracts). There is little evidence of the Department checking more widely across its service areas to ensure that no unintended consequences happen, or whether the change alters the strategic intent of the contract.

The department were not sufficiently clear about their expectations as to how providers were to implement a particular contract change. Subsequently it appears that department's stance (from the perspective of providers) has changed over time and has not been consistent from one provider to another.

5.8 **Theme 6: Management of the transition from pre-contract stages:** the critical hand-over from procurement (pre-contract) to contract operations has been missed or is insufficient on 5 of the more recent contracts resulting in limited knowledge about the detail of the contract amongst contract operations staff.

In four similar contracts there was little formal continuity of staff and/or transfer of knowledge and information from pre tender through to contract management giving rise to the risk of a gap in expectations between the provider and current contract management teams.

5.9 **Theme 7: Allocation of the right contract management resources:** there are a number (17/28) of contracts where there is a noticeable gap between the numbers and capability of staff allocated and the level of knowledge and capacity actually required to ensure the contract is being delivered effectively.

In one contract the commercial team is no longer able to visit sites regularly due to resource constraints and this is considered to reduce their capability to provide oversight, in another contract the review of the provider's self-reported performance is limited by staff resource at the delivery sites.

6. Recommendations

- 6.1 The Review has confirmed that the way many of the Government's important contracts are managed is inadequate and the capability of both suppliers and Departments needs to improve. The failings could, if left unchecked, lead to future erroneous charging for services delivered or opportunities missed to intervene at the right point in order to make necessary corrections. Allowing this situation to continue is not an option.
- 6.2 The underlying issues around financial control and contract management should be rectified quickly through the implementation of a robust and comprehensive set of recommendations, including Departments acting on the findings from each of the individual contract reviews. The primary focus of the recommendations is to re-enforce the responsibility at senior levels in Departments for achieving successful contract outcomes, with the Cabinet Office acting as 'standard setter', providing the commercial lead on relationships with major suppliers, and supporting Departments with additional expertise where necessary.
- 6.3 Whilst the Review has focussed on the major contracts held with two specific suppliers, the issues are pertinent to the management of all major contracts; the findings and themes are generic and are therefore not restricted to the two suppliers involved with this Review.
- 6.4 Any real change in outcome is only going to happen if Government makes substantial changes in its approach, process and capability that surround the management of major contracts. The eight recommendations are designed to tackle the identified issues and make a positive step-change in how Government manages its major contracts. The eight recommendations for Departments and the Cabinet Office/Crown Commercial Service (CCS) are listed below and described in more detail in the following paragraphs:

- Internal Audit capability

- Commercial Director scope
- Functional Leadership of the Commercial profession
- CCS contract management capability
- HM Treasury/Cabinet Office contract management controls
- CCS direct role
- Structure for supplier relationships
- Implementing recommendations

6.5 **Recommendation 1:** Departments should strengthen their Internal Audit (IA) capability to cover contract management such that IA can lead internal contract reviews of the Department's major contracts in response to specific requirements (for example, emerging poor performance) and as part of ongoing contract reviews. These reviews need to provide assurance to the Department executive board that all is in order on major contracts around performance management, senior oversight, financial control, assurance & transparency, incentives, change management, transition (from pre-procurement), and resource allocation. This will build on the integrated assurance approach already followed for major projects and departments will identify their skills gaps and produce plans to fill them. The move to a single, integrated IA function across Government, as set out in the Review of Financial Management in Government⁴, will provide the framework for these improvements.

6.6 **Recommendation 2:** Departments should consider broadening the scope of their Commercial Director responsibilities to embrace both procurement and contract management activities. In particular, Departments should ensure there is adequate senior level assurance given to contract change mechanisms and should check that there is a good connection between the finance and commercial/procurement teams at all stages during the life of a contract. Those Departments whose contracts were involved in this Review should consider sharing the findings of their individual contract reviews with the

⁴ Review of Financial Management in Government, HM Treasury, 16 December 2013

relevant supplier and conducting meaningful dialogue with them to implement agreed plans of action to resolve the issues identified.

- 6.7 **Recommendation 3:** CCS should increase the focus on the functional leadership of the Commercial profession within Government, which has already been put in place but now needs to be made more effective. The profession needs to embrace all aspects of dealings with 3rd parties, including procurement and contract management. The dotted line reporting lines from commercial staff in Departments to the Chief Procurement Officer (CPO) should be strengthened with a direct contribution from the CPO on recruitment, performance, retention and development of Department's commercial capability.
- 6.8 **Recommendation 4:** CCS should develop a strong contract management capability to (i) set the general standards, guidelines and checklists for best-in-class contract management and provide the specifics for particular contracts, and (ii) to provide expert advice to Departments on request.
- 6.9 **Recommendation 5:** CCS should build on the existing systems of HM Treasury and Cabinet Office controls, and the Major Project Authority assurance processes, a focus on contract management. This should include the requirement for robust Contract Management Plans, approved by the Department's Commercial Director, before any new contract award. In addition, Departments should appoint SROs for all their major contracts and the SROs should review and refine (or develop if none exists) a Contract Management Plan for all existing major contracts.
- 6.10 **Recommendation 6:** CCS, working in partnership and with the agreement of Departments, should evaluate whether to "step-in" on the management of any major contracts where the Department needs additional contract management capability, or where a problem has occurred during contract execution that requires additional intervention to bring it back on track.
- 6.11 **Recommendation 7:** The CCS should establish a clear structure for supplier relationship management that sets out:

- 6.11.1 For the cross-government strategic suppliers, provide a cross-government service for managing all aspects of supplier relations building on the existing strategic supplier management function and Crown Representatives;
- 6.11.2 For Department-specific large suppliers, Departments should be responsible for managing the relationships with the suppliers who are unique to them, seeking advice and input from Cabinet Office/CCS as required.
- 6.11.3 For smaller suppliers, Departments should be responsible for their individual relationships with smaller suppliers.
- 6.12 **Recommendation 8:** Departments should develop detailed plans for implementing recommendations 1, 2, 3, 5, 6 and 7 above, and should provide their plans to CCS for advice/comment in advance of presenting to Permanent Secretaries by end February 2014. CCS should similarly work up detailed plans for recommendations 3, 4, 5, 6, and 7 to amplify each one and show how these will be taken forward. The implementation of the plans should be substantially underway by end March 2014.

7. Appendix 1 – List of Contracts

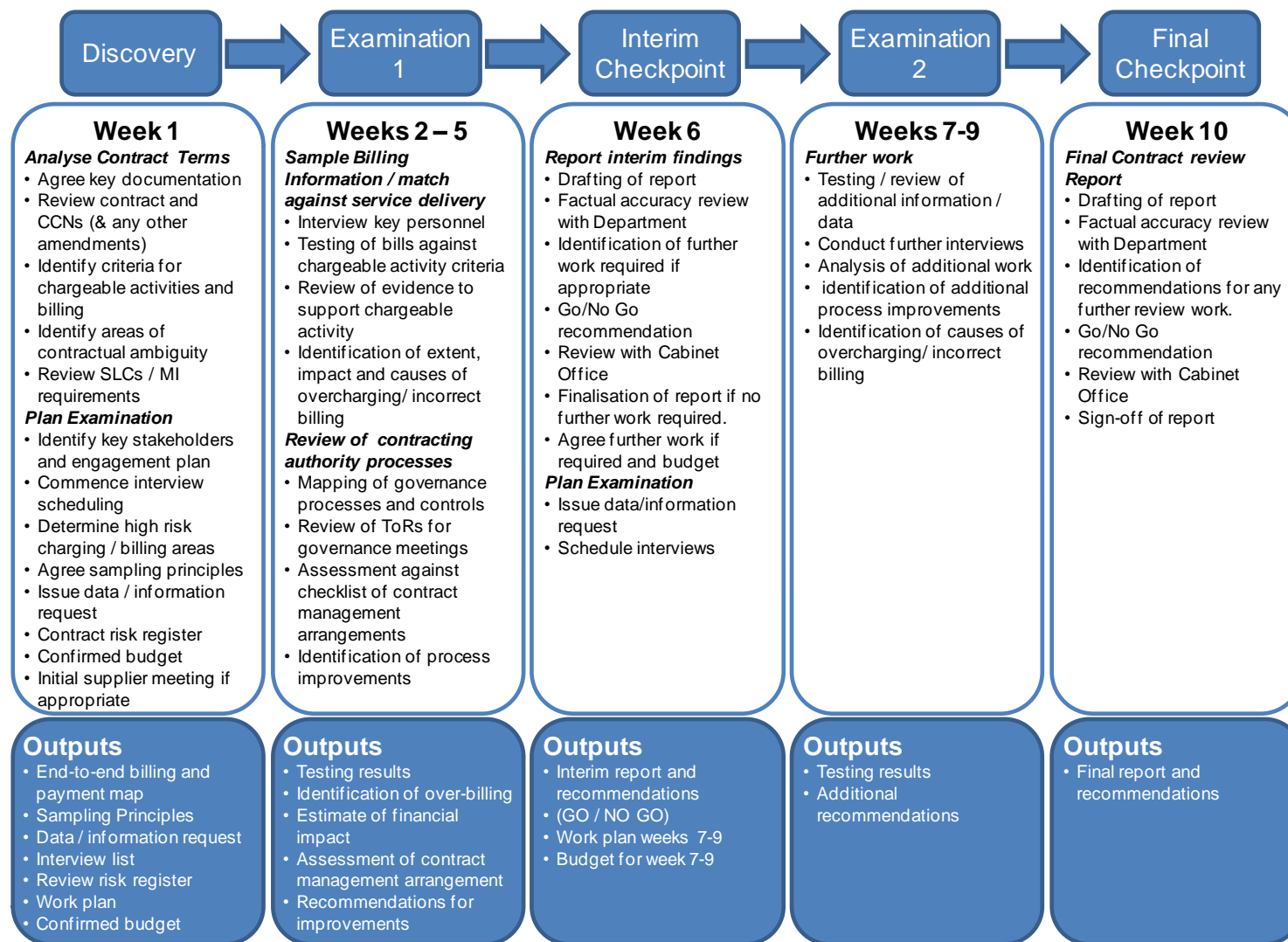
G4S Contracts

Department	Contract Name	Contract Description
DWP	Estate Security Services	Provision of security personnel for DWP premises (largely Job Centre Plus) by G4S as a sub-contractor to Telereal Trillium, who are prime contractors to DWP under an Estates Prime Contract for 13 different estates services.
DWP	Work Programme (2 contracts)	The delivery of services through multiple subcontractors to support long-term unemployed and other categories of job seeker as part of the DWP's Work Programme.
FCO	Provision of Security Services to HMG in Afghanistan	The provision of static and mobile security to FCO and other Government Departments at various locations in Afghanistan.
Single Intelligence Account (SIA)	Hard & Soft Facilities Management Services	Provision of various services through Integrated Accommodation Services (IAS), principally physical security, logistics, catering, IT infrastructure, cleaning and waste etc.
Home Office	Brook House Immigration Centre	Provision of accommodation (removal centres) and associated services for the temporary detention of people who have no legal right to be in the UK but have refused to leave voluntarily.
Home Office	Tinsley House Immigration Centre	
Home Office	Compass (North-East, Yorkshire & the Humber)	Provision of accommodation, associated services and transportation to eligible and registered asylum seekers.
Home Office	Compass (Midlands & East of England)	

Serco Contracts

Department	Contract Name	Contract Description
National Measurement Office	National Physical Laboratory	National Physical Laboratory is owned and run by Serco. The NPL is the UK's National Measurement Institute, and a centre of excellence in developing and applying the most accurate measurement standards, science and technology available.
Ofsted	Ofsted Inspections	Provision of inspection services to OFSTED either team members to support Ofsted led inspections or team leader and team members.
DfT	Northern Rail Franchise	Provision of franchised rail services with Northern Rail (joint venture between Serco and Abellio).
DWP	Child Maintenance Group	Management of child maintenance cases which have to be dealt with outside DWP's own system.
DWP	The Work Programme	The delivery of services through multiple subcontractors to support long-term unemployed and other categories of job seeker as part of the DWP's Work Programme.
Home Office	Colnbrook Immigration Centre	Provision of accommodation (removal centres) and associated services for the temporary detention of people who have no legal right to be in the UK but have refused to leave voluntarily.
Home Office	Yarl's Wood Immigration Centre	
Home Office	Cyclamen	Provision of routine screening of traffic at all types of UK entry to prevent the illicit import of radiological substances, as part of the Government's counter-terrorism strategy
Home Office	Compass North West	Provision of accommodation, associated services and transportation to eligible and registered asylum seekers.
Home Office	Compass Scotland and NI	
MOD	Provision of Marine Services	Provision of marine support services at major UK Naval bases in Portsmouth, Devonport and The Clyde.
MOD	Defence Science and Technology Laboratory FM	Provision of FM services, capital projects management and equipment purchases.
MOD	RAF Cranwell	Multi Activity Contract to provide a range of FM and engineering support services to RAF Cranwell, Digby, Honnington, Barkston Heath and Scampton. Contract also includes provision of planes for pilot training
MOD	RAF Northolt	Multi Activity Contract to provide a range of FM and technical support services at RAF Northolt, including Aircraft Engineering, Pest Control, Laundry Services, Tailoring and Grounds maintenance.
MOD	Atomic Weapons Establishment	Management, day-to-day operations and maintenance of Britain's nuclear stockpile
MOD	Defence Academy Campus Integrator (DACI)	Multi Activity Contract to provide a range of FM services across the Defence Academy campus. Catering, Retail and Leisure included.
MOD	Contemporary Operating Environment Force (COEFOR)	Provision of essential language, culture and operational environment skills training using realistic conditions and related support to the Armed Services prior to deployment on operations around the world.
MOD	RAF High Wycombe & Halton	Multi Activity Contract to provide FM and technical support services at RAFs High Wycombe & Halton, including Pest Control, Fire & Rescue Services and Grounds maintenance. Catering and Retail included.
MOD	Joint Services Command and Staff College (Watchfield)	Provision of multi services including Academic Support to Military Training Cleaning and Waste Disposal (via a sub-contract with ESS Support Services - part of the Compass Group).

8. Appendix 2 – Methodology



9. Appendix 3 – Contract Management Checklist

The following Checklist was used through the Review as a reference for the contract management assessment. The Checklist is based on NAO's "Good practice contract management framework" available at: <http://www.nao.org.uk/report/good-practice-contract-management-framework-2-2>

The Checklist represents a detailed set of good practice characteristics tested with experts, suppliers and industry representatives.

PLANNING

Area 1: Planning & Governance

1. Contract ownership, management processes and governance mechanisms are clear with defined roles and responsibilities. There is a clear contract management plan which involves appropriately senior people at each level.

Area 2: People

2. Contract management is adequately resourced in proportion to the importance of the contract and the skills make-up of the team reflects the nature of the contract. The team have the range of skills, capability and experience to effectively and efficiently discharge their roles and responsibilities and are appropriately performance managed.

Area 3: Administration

3. An up to date (annotated with relevant agreed changes) hard copy contract is stored, logged and easily accessible with an operating manual where appropriate. All relevant correspondence in relation to contract changes is stored and easily accessible.

DELIVERY

Area 4: Managing Relationships

4. The relationship between both parties is clear and well defined, responsibilities are documented, there are structural and informal communication routes that include other stakeholders outside the contract manager (users of the contract, technical experts etc).

Area 5: Managing Performance

5. There is a comprehensive performance management framework in place with meaningful metrics and suppliers receive regular and routine feedback on their performance both formal and informal.

6. Clear documented processes are in place for managing problems efficiently and effectively. There is clear documentation of any disputes and their resolution.

Area 6: Payment & Incentives

7. There are appropriate defined mechanisms and processes to ensure that payments are made to the supplier in line with the contract including validation such as spot checks on invoices.

8. There are defined mechanisms and processes that are managed to ensure appropriate incentives relating clearly to outcomes. Where open-book or similar financial/pricing mechanisms are used open-book accounts can be mapped to real accounting events and internal reports in the supplier organisation.

Area 7: Risk

9. There is a risk management policy and risks are subject to ongoing review and assessment in line with organisational risk management processes. There is clear understanding by both parties of who is best placed to manage risks.

DEVELOPMENT

Area 8: Contract Development

10. Contract management staff understand the contractual terms including contract extension (services and duration), termination warranties, indemnities, insurance, security and confidentiality and dispute resolution.

11. Clear documented processes and governance are in place to manage contract changes and any changes are communicated and understood by both parties.